Al Khaliji France S.A. – UAE operations

Basel III Pillar 3 Disclosures For the year ended 31 December 2023

Table of Contents

1. Introduction and overview

Legal status and activities

Al Khaliji France S.A, UAE operations (the “Bank” or “AKF UAE”) is a branch of a foreign French registered bank with its Head Office in Paris, France (the “Head Office”). It commenced its operations in the United Arab Emirates in 1973 as a retail bank and currently has two branches, one each in the Emirate of Dubai and Abu Dhabi.

Masraf Al Rayan (MAR), Qatar is 100% shareholder of Al Khaliji France S.A. Paris.

The Bank’s regional office in Dubai is responsible for managing the operations of the United Arab Emirates Branches. The regional office’s registered address is P.O. Box 4207, Dubai, United Arab Emirates.

The principal activities of the Bank include accepting deposits, investments in bonds, granting loans and advances and providing other banking services to customers in the United Arab Emirates.

Purpose and basis of preparation

The Bank is regulated by the Central Bank of United Arab Emirates (“CBUAE”) and follows the Pillar 3 disclosure requirement guidelines issued by the CBUAE.

In February 2017, new Basel III capital regulations issued by CBUAE came into effect for all Banks in the UAE.

This document presents Pillar 3 disclosures which complements the Basel III minimum capital requirements and the supervisory review process of the Bank. These disclosures have been prepared in line with the disclosure templates introduced by the CBUAE guidelines on disclosure requirements (vide Notice No. CBUAE/BSD/N/2020/4980, Notice No. CBUAE/BSD/N/2021/5508, Notice No. CBUAE/BSD/N/2022/1887, Notice No. CBUAE/BSD/N/2022/5280) published in 12 November 2020, 30 November 2021, 09 May 2022 and 30 December 2022 respectively.

These disclosures are being prepared as per the new templates and explanatory notes on Pillar 3 disclosure requirements revised by CBUAE on 21 December 2023.

These disclosures are being done on the financial figures of AKF UAE operations only.

Applicability of Pillar 3 disclosure templates

Below is the list of the CBUAE prescribed Pillar 3 disclosure templates which are applicable for quarterly, semi-annual and annual publication and comparison to the disclosure included in this document.

Topic	Table	Information overview	Status
Overview of risk management and RWA	KM1	Key metrics	Included
	OVA	Bank risk management approach	Included
Linkages between financial statements and regulatory exposures	LI2	Main sources of differences between regulatory exposure amounts and carrying values in financial statements	Included
Composition of Capital	CC1	Composition of regulatory capital	Included
	CC2	Reconciliation of regulatory capital to balance sheet	Included
Liquidity	LIQA	Liquidity risk management	Included
	ELAR	Eligible Liquid Assets Ratio	Included
	ASRR	Advances to Stable Resources Ratio	Included
Credit risk	CRA	General qualitative information about credit risk	Included
	CR1	Credit quality of assets	Included
	CR2	Changes in the stock of defaulted loans and debt securities	Included
	CRB	Additional disclosure related to credit quality of assets	Included
	CRC	Qualitative information on the mitigation of credit risk	Included
Counterparty credit risk (CCR)	CCRA	Qualitative disclosure related to counterparty credit risk	Included
Market Risk	MRA	General qualitative disclosure requirements related to market risk	Included
Interest rate risk in the banking book (IRRBB)	IRRBBA	IRRBB risk management objectives and policies	Included
	IRRBB1	Quantitative information on IRRBB	Included
Operational Risk	OR1	Qualitative disclosures on operational risk	Included
Remuneration policy	REMA	Remuneration policy	Included
	REM1	Remuneration awarded during the financial year	Included

2. Overview of risk management, key prudential metrics and RWA
2.1. Key metrics (KM1)
An overview of the bank's prudential regulatory metrics.

Sn.	Description	(a) 31-Dec-23	(b) 30-Sep-23	(c) 30-Jun-23	(d) 31-Mar-23	(e) 31-Dec-22
		AED'000	AED'000	AED'000	AED'000	AED'000
	Aggregate Capital Funds					
1	Paid up capital	375,000	375,000	375,000	375,000	375,000
2	Share Premium	-	-	-	-	-
3	Reserves, excluding revaluation reserve	59,311	59,311	59,311	59,310	57,290
4	**Retained earnings/ (-) Loss**	**115,816**	**66,663**	**66,663**	**66,663**	**68,684**
4a	Accumulated retained earnings / (-)	66,663	66,663	66,663	66,663	48,479
4b	Audited / Reviewed Current year profit / (-) current financial year loss	49,153	-	-	-	20,205
4c	Proposed Dividend	-	-	-	-	-
	Less:					
5	Goodwill	-	-	-	-	-
6	**Total Assets excluding cash collaterals and sovereign guarantees**	**1,294,048**	**1,260,912**	**1,174,048**	**1,268,420**	**1,254,041**
6a	Total Assets	1,398,384	1,364,167	1,287,068	1,393,559	1,379,772
6b	Cash collaterals (legally enforceable)	104,336	103,255	113,020	125,139	125,731
6c	Sovereign Guarantees (legally enforceable)	-	-	-	-	-
	ELAR					
7	Total HQLA	451,704	636,897	552,636	516,289	510,703
8	Total liabilities	780,306	759,064	699,858	822,021	820,973
9	**Eligible Liquid Assets Ratio (ELAR) (%)**	**57.89%**	**83.91%**	**78.96%**	**62.81%**	**62.21%**
	ASRR					
10	Total available stable funding	1,125,987	1,180,316	1,123,227	1,212,690	1,128,309
11	Total Advances	508,726	440,511	457,118	455,907	421,400
12	**Advances to Stable Resources Ratio (%)**	**45.18%**	**37.32%**	**40.70%**	**37.59%**	**37.35%**

Liquidity ratios (ELAR and ASRR) remain well-buffered and trend comfortably against the minimum requirements for ELAR above 10% and ASRR below 100%.

2. Overview of risk management and RWA

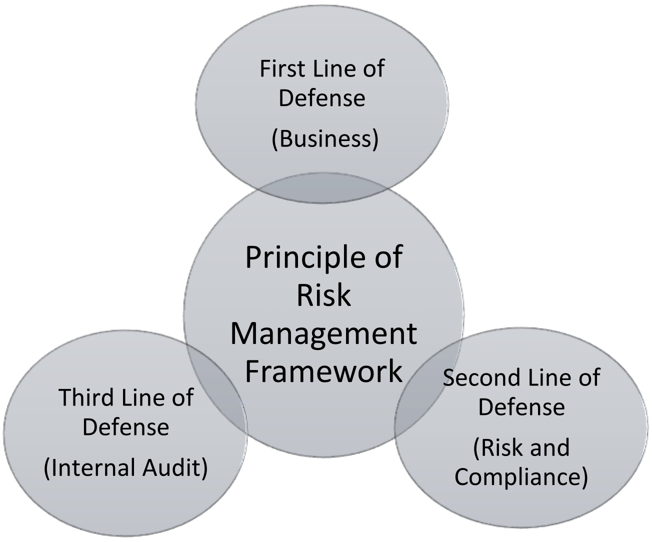
2.2. Bank risk management approach (OVA)

Description of the bank's strategy and how senior management and the board of directors assess and manage risks, enabling users to gain a clear understanding of the bank's risk tolerance/appetite in relation to its main activities and all significant risks.

Risk Governance Framework

Al Khaliji France risk governance framework includes set of policies approved by AKF Board, procedures, staff, and control systems through which AKF identifies, assesses, measures, monitors, and controls the risk across the UAE operations.

The Risk Management framework is based on the principle of **'Three lines of defense**".



The first line of defense consists of the business functions, which are accountable for the management and control of all risks at an operational level, and for implementing processes and controls in compliance with the approved delegation of authority, policies and procedures.

The second line of defense consists of the control functions, primary Risk Management and Compliance. These functions are responsible for ensuring that activities of the Bank are conducted with proper risk consideration, and within the Risk Management framework, tools and methodologies, as well as complying with applicable regulatory requirements. Regular monitoring and reporting to the Head Office and senior management committees are an integral part of these functions' remit.

The third line of defense is internal audit, which is responsible for independently evaluating the adequacy and effectiveness of key controls and assessing compliance with the approved policies and procedures.

The risk governance structure at Al Khaliji France consists of five layers:

Level 1: AKF Board of Directors
Level 2: General Manager (AKF) and Deputy General Manager & Head of Risk (AKF)
Level 3: Senior Management Committees
Level 4: Risk Management
Level 5: Business Units

The Board of Al Khaliji France established specialized hybrid executive committee "AKF Credit and Investment Committee" that include members from the Board and the management of the Bank to consider and take decisions on credits and investments within its delegated authority.

In addition to above, General Manager (AKF) has formed permanent management committees to assist him along with the Deputy General Manager and Head of Risk (AKF) to manage the Bank. These are as follows:

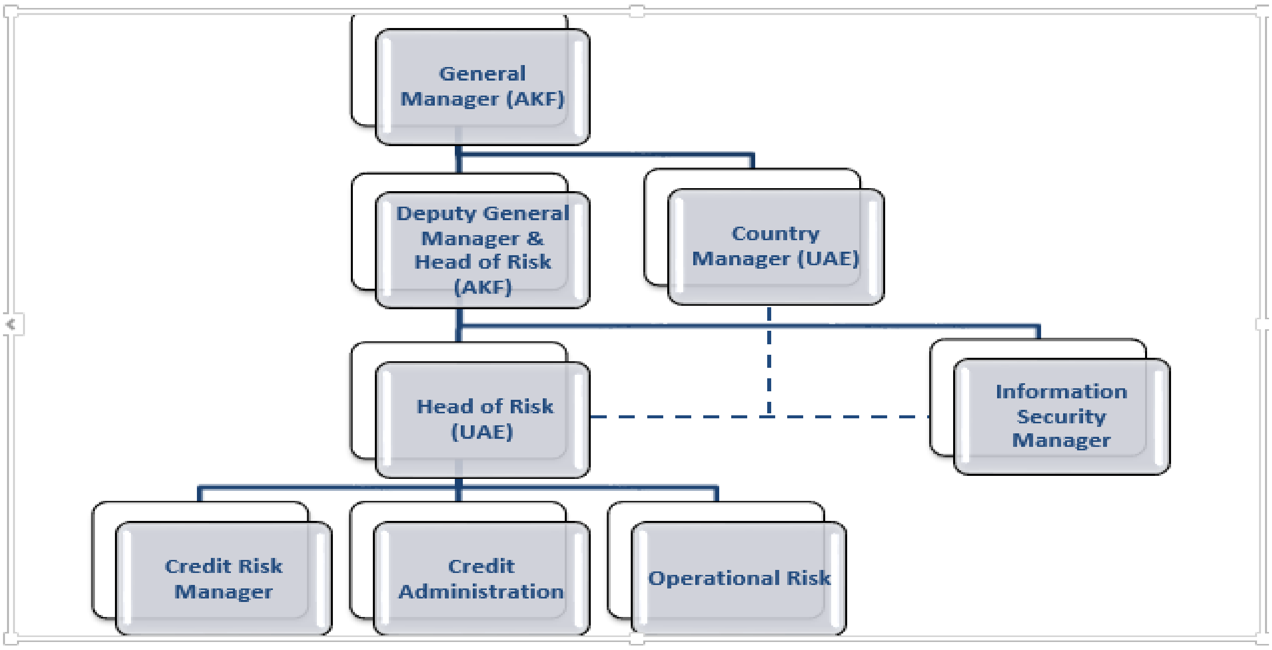
- AKF Credit Committees with 3 tier levels
- AKF Management Committee (AKF MANCO)
- AKF Risk Committee (AKF RC)
- AKF Asset, Liability and Capital Committee (AKF ALCCO)

In addition to the above, Country Manager (UAE) was appointed to assist the General Manager (AKF) and the Deputy General Manager & Head of Risk (AKF) in the management of the UAE operations.

Risk Management

The main responsibilities of the Bank's Risk Management are to manage credit risk, counterparty risk, concentration risk, market risk, liquidity risk, IT risk, cyber risk, physical security risk, operational risk, reputational risk, strategic risk, business continuity, and fraud risk and to ensure compliance with risk-related regulations.

The organizational chart of the Risk Management Department at the Bank:



Risk Appetite:

The Group has articulated a Risk Appetite Statement stating the level and types of risk the Group is willing to accept, or avoid, in order to achieve its objectives. Therefore, Al Khaliji France in UAE engages in the activities which generate risks consistent with the Group Risk Appetite Statement.

Risk Identification:

The Bank endeavors to identify all key risks that may affect. Identification is a continuous and pro-active process. It covers all the current activities of the Bank.

AKF Risk Committee:
AKF Risk Committee (AKFRC) is a committee of Senior Management in Paris and UAE. It is an executive body with delegated authorities from Al Khaliji France GM. The purpose of AKFRC is to support the Executive Management in managing the various types of risks that Al Khaliji France S.A. (AKF) is exposed to, as well as recommending the risk appetite, risk strategy and policies of the Bank to AKF Board.

The scope of the AKFRC is covering the Credit/Counterparty Risk, Market Risk, Liquidity Risk, and Operational Risk including Security Risk, Legal Risk, Fraud Risk, Reputational Risk, Regulatory Risk, Business Continuity Management and the Insurance Management.

The Committee meets on quarterly basis or as required by its Chairperson, not less than 4 meetings per year.

AKF Credit Committees:
AKF has the below 3 types of Credit Committees:
a) "AKF Credit & Investment Committee" AKF CIC is the unique hybrid executive committee that include members from the AKF Board and the management of the Bank to consider and decide on credits and investments within its delegated authority;
b) "AKF UAE Tier 1 Committee" : Members are appointed by and reported to AKF General Manager;
c) "AKF UAE Tier 2 Committee" : Members are appointed by and reported to AKF General Manager.

Above committees operate within the MAR Group Credit Approval Authority Matrix and Policy.

Meetings of the committees are held as required. Majority of quorum is required for sanction. Notice of physical meeting not less than 2 working days for Tier 1 and Tier 2 and not later than 6 calendar days prior the meeting of AKF CIC.

The three different tiers of credit authority are detailed hereunder. The segregation of approval criteria are based on several factors: 1. Customer Segment (Wholesale/ Personal, Private or Premium), 2. Total group CEE, 3. Type of Request (New, renewal, amendment), 4. Facility Tenor, 5.Customer's ORR. (Details are available in the Group Credit Approval authority policy).

Key Risks:
Al Khaliji France S.A. has identified the following risks as key to its business:

a) Credit risk ;
b) Market risk;
c) Operational risk;
d) Liquidity risk;
e) Compliance risk;
f) Credit Concentration risk;
g) Counterparty risk;
h) Interest rate risk in banking book;
i) Reputational risk;
j) Strategy risk;
k) Anti-Money Laundering (AML) risk;
l) IT risk;
m) Regulatory risk;
n) Cyber risk.

a) <u>Credit Risk</u>:
Credit risk is the risk of losses arising from the inability of the Bank's customers, and other counterparties to meet their financial commitments.

The credit risk management process involves identification, assessment, control, and decision-making in relation to the credit risk incurred in the bank activities. The Business and Risk are both involved in the process as well as the senior management.

The credit risk arising from all exposures is mitigated through ensuring the Bank only enters into relationships adhering to the Credit Risk Policy and targets clients with inherently acceptable risk profile and showing ability to repay the loan. For each loan, consideration is given to the credit rating of the counterparty, and the potential recovery in the event of default. Collaterals are sought to reduce the risk of loss in the event of default but does not constitute the only condition for taking the risk.

As part of its responsibilities for second line of defense, the Risk department provides regular monitoring to ensure that all exposures are in line with the Group's risk appetite and regulatory limits. This includes monitoring of portfolio characteristics such as portfolio risk ratings, tenor, country risks, currency, and industry concentration which are examined by the Bank's Risk Committee and reported to Group Risk on a monthly basis. Non-performing exposures are monitored on an ongoing basis, and these, along with the NPL ratios and liquidity coverage ratio for Al Khaliji France S.A. are reported to the AKF Risk Committee and to the Group.

The risk report presented to the AKF Board at least twice a year provides additional information related to regulatory large exposures and to forborne exposures.

The Bank has risk appetite for wholesale banking activities and retail banking activities targeting mainly HNWI (High Net-worth Individuals). Al Khaliji France S.A. seeks to diversify risk by controlling individual and sector concentration risk and to maintain an exposure to country risks that reflects the Group strategic selections in terms of its foreign operations.

b) Market Risk:

Market Risk is the risk of losses arising from movement in market-based prices. The Bank assesses the market risk exposure and sets aside capital charge using the standardized measurement method as prescribed under the capital adequacy guidelines by CBUAE.

Al Khaliji France, UAE has limited exposure to market risk.

Finance department performs regular stress tests of the Bank's positions subject to interest rate risk and FX (Foreign Exchange) risk and reports the results to AKF ALCCO (AKF Asset, Liability and Capital Committee).

The Bank's exposure to market risk is managed and monitored based on recommendations made by AKF ALCCO, and in line with the Group Market Risk appetite and policy.

c) Operational Risk:

Operational Risk is the risk of losses from inadequate or failed internal processes, people and systems or from external events which include but not limited to legal and information technology risk.

The Bank assesses the operational risk exposure and sets aside capital charge using the Basic Indicator Approach (BIA), as prescribed under the capital adequacy guidelines by CBUAE.

The Bank's Operational Risk is independently reviewed and assessed by Operational Risk Management under Risk Management Department.

The main sources of Operational Risk in the Bank are:

- Process (Policies and SOP has been documented);
- People: (including insufficient staff, inaccuracy/delay in performance; also related with training quality, willful circumvention of regulation and responsibility);
- Systems (including failure, system limitations, bugs etc.);
- External events (Vendors/ Cards Fraud /Phishing/Skimming etc.).

Risk Department uses an operational risk management tool (Risk Nucleus) which is intranet-based enabling the Bank to manage the monitoring and reporting of operational incidents.

d) Liquidity Risk:

Liquidity risk arises due to mismatch in the asset-liability maturity.

The cost of liquidity risk is in terms of either raising fresh liabilities at higher costs or liquidating assets with greater hair-cuts.

The Bank aims at maintaining an appropriate level of liquidity, allowing it to meet payment obligations and support its operations during periods of market disruption where funding becomes inaccessible.

AKF ALCCO is responsible for liquidity management and is monitoring the liquidity cash flows from all major currencies in which the Bank has assets and liabilities.

While the Bank understands that cash flows and not capital are the true mitigants for liquidity risk, quality capital and ability to generate liquidity from unencumbered assets (capital) is an important safeguard against liquidity risk.

Being branch of a French entity and fully owned subsidiary of MAR, Qatar, the Bank is backed by its head office and the Group to provide adequate liquidity cushion in case of a stressed situation.

The GALCCO is responsible of providing guidance and support to the AKF ALCCO who is responsible of managing the Bank's liquidity needs in line with the Group Liquidity policy.

The Bank sets aside capital charge for liquidity risk under Pillar 2 based on the asset liability maturity mismatch profile analysis. The Bank computes the cumulative gap (assets minus liabilities) for each time bucket up to and including that bucket. The capital set aside for liquidity risk is estimated as 2% of the largest negative cumulative gap observed in the asset liability maturity mismatch profile.

e) Compliance Risk:

Compliance risk management is the process of identifying, assessing and mitigating potential losses that may arise due to non-compliance with laws, regulations, standards and both internal and external policies and procedures.

Management practices are intended to maintain compliance with various regulations and laws.

Compliance Risk Management is a continuous process that involves tracking changes in the regulatory environment to ensure an organization's compliance is up to date.

f) Credit Concentration risk:

Credit Concentration Risk represents the risk arising from an uneven distribution of counterparties in loans portfolio or any other business relationship or from concentration in business sectors or geographical regions;

For each single name/ group of borrowers and economic/business sector, the Bank sets aside capital charge and monitor limits based on a certain percentage from its loan portfolio.

g) Interest rate risk in banking book:

Interest rate risk in the banking book (IRRBB) refers to the risk of changes in market prices of assets and liabilities in the banking book due to changes in the interest rate term structure. Banks have a significant portion of their assets and liabilities portfolio not marked and carried on the books at their historical prices. The economic value of such assets and liabilities is generally not ascertained on a regular basis and can be a significant source of risk if the asset or liability is not held till maturity.

The Bank is exposed to Interest rate risk as a result of mismatches in the re-pricing profile of various assets and liabilities of the Bank. The mismatch in the re-pricing profile is measured by computing the Rate Sensitive Assets (RSA) and the Rate Sensitive Liabilities (RSL) of the Bank.

The Bank estimates the capital charge by assessing the IRRBB associated with its business activities via scenario analysis that will measure the impact on net interest income and economic value of assets/liabilities as a result of a shift in the market reference rate. The Bank uses the method indicated in the BCBS (4) paper to compute the impact of interest rate shock on net interest income and the economic value of equity (EVE).

h) Reputational risk:

Reputational Risk refers to the potential adverse effects that can arise from the Bank's reputation being adversely impacted due to factors such as unethical practices, regulatory actions, customer dissatisfaction and complaints, etc.

Reputational risk has been assessed by the Bank using a scorecard approach and sets aside capital charge. The score was computed based on the response of the Senior and Middle Management regarding current factors and past events impacting the reputation and potential scenarios and their impact on reputation. Capital charge for reputational risk can be modeled as a loss in the value of Market capitalization of the Bank after some reputation risk event has taken place. Such a proxy for reputation risk is still not a widely used approach.

i) Strategy risk:

Strategy risk refers to the risk of adverse impact on a Bank's earnings, Capital, Reputation or standing arising from changes in the environment the Bank operates in or from adverse strategic decisions, improper implementation of decisions or lack of responsiveness to Industry standards developed for measuring it. The Bank has used a scorecard approach for assessing the Strategy risk and sets aside capital charge.

j) Anti-Money Laundering (AML) risk:

An AML risk assessment helps identifying Bank's inherent risk and assesses the effectiveness of its preventative and detective controls.

AML risk has been assessed by the Bank using a scorecard approach and sets aside capital charge. The score was computed based on the response of the relevant unit regarding AML risk governance, document methodology and their impact on Bank's capital.

k) Information Technology (IT) Risk:

IT risk is the potential that an event will negatively impact an organization and its business processes while threatening data confidentiality, integrity and availability (CIA) in the organization's IT infrastructure.

Whether it's inherent or residual, IT risk is a constant presence in every business. IT risks often come from human error and neglect, device failure, mismanagement, poor handling of technology-related processes and events, bad actors that may exploit an information security vulnerability, and other unfortunate events that may arise within an organization.

IT risks can be managed and mitigated via careful planning, specialized systems, guidelines, policies, and decisions across various sectors. Common measures involve:

- Conducting an internal risk assessment to identify risks affecting the IT systems and data.
- Implementing robust incident response and business continuity plans in the event of an IT issue
- Performing vendor risk assessments to mitigate and manage third-party IT risks with due diligence.

l) Regulatory risk:

Regulatory risk is associated with a change in laws and regulations which materially may impact a Bank's Business, products offered or collateral/ securities held.

Regulatory risk has been assessed by the Bank using a scorecard approach and sets aside capital charge. The score was computed based on the response of the relevant unit regarding Regulatory risk governance, document methodology and their impact on Bank's capital.

m) Cyber risk:

Whereas Cyber risk is the potential occurrence of a cybersecurity incident, such as a data breach, threatening an organization with financial loss, business disruption, and reputational damage. It also includes the use (and misuse) of technology within the organization's technical infrastructure.

Cybersecurity risk is one of several types of risks that both IT risk management and cybersecurity deal with, posing a threat to all organizations with a cyber presence.

The main cyber risks in IT systems include:

- Ransomware;
- Data leaks;
- Phishing;
- Malware;
- Insider threats;
- Cyberattacks.

The main goals of cyber risk assessment are to:

- Implement incident response to identified risks, and calculate their costs;
- Set the right security controls like firewalls, malware detection software, and data encryption;
- Inform stakeholders of the organization's security management;
- Offer a better overview of an executive summary for the company's executives in order to help them make informed decisions about their security posture.

Cyber Risk has been assessed by the Bank using a scorecard approach. The score was computed based on the response of the relevant units regarding Cyber Risk governance and their impact on Bank's capital.

Key Sensitivities and future Scenarios

The stress testing framework is in line with the size, nature & profile of the Bank. The framework that has been used for stressing the capital adequacy is based on guidelines provided by regulators across the globe. Since the Bank is small in size with limited data, the models that have been chosen for stress testing have been scaled down in complexity to suit the current needs.

The stress testing framework consists of scenario analysis and sensitivity analysis that are carried out for the major risks faced by the Banks, Viz. credit risk, credit concentration risk, operational risk, liquidity risk and interest rate risk.

The Bank faces minimal market risk and thus does not carry out any stress testing for market risk. The table below provides a summary of the stress testing scenarios applied by the Bank:

Stress tests at the Bank

Risk category	Scenario applied
Credit risk	▪ Significant conversion of contingent exposures (unfunded credit facilities) into direct exposure (funded facilities) ▪ Impact of ORR downgrade of the entire portfolio
Credit concentration risk	Default by any 3 out of top 10 key borrowers at the Bank with risk weight greater than 0%
Liquidity risk	Severe liquidity crunch leading to "bank run" situation for seven days after which management action takes place
Operational risk	Increase in operational losses at the Bank for two consecutive years.
Interest rate risk	Impact of shift in interest rates of 200 bps on rate sensitive assets and liabilities & the six interest rate shock scenarios for the Pillar 2 capital framework for IRRBB: (i) parallel shock up; (ii) parallel shock down; (iii) steepener shock (short rates down and long rates up); (iv) flattener shock (short rates up and long rates down); (v) short rates shock up; and (vi) short rates shock down.

3. Linkages between financial statements and regulatory exposures

3.1. Main sources of differences between regulatory exposure amounts and carrying values in financial statements (LI2)

Provide information on the main sources of differences (other than due to different scopes of consolidation which are shown in LI1) between the financial statements' carrying value amounts and the exposure amounts used for regulatory purposes.

AED'000

Sn.	Description	a	b	c	d	e
			Items subject to:			
	31-Dec-23	Total	Credit risk framework	Securitization framework	Counterparty credit risk framework	Market risk framework
1	**Asset carrying value amount under scope of regulatory consolidation**	**1,395,319**	**1,395,319**	**-**	**-**	**-**
2	Liabilities carrying value amount under regulatory scope of consolidation	(158,709)	(158,709)	-	-	-
3	**Total net amount under regulatory scope of consolidation**	**1,236,610**	**1,236,610**	**-**	**-**	**-**
4	Off-balance sheet amounts	197,158	57,407	-	-	-
5	*Differences in valuations*	-	-	-	-	-
6	*Differences due to different netting rules, other than those already included in row 2*	-	-	-	-	-
7	*Differences due to consideration of provisions*	-	-	-	-	-
8	*Differences due to prudential filters*	-	-	-	-	-
9	**Exposure amounts considered for regulatory purposes**	**1,433,768**	**1,294,017**	**-**	**-**	**-**

AED'000

Sn.	Description	a	b	c	d	e
			Items subject to:			
	31-Dec-22	Total	Credit risk framework	Securitization framework	Counterparty credit risk framework	Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation	1,375,656	1,375,656	-	-	-
2	Liabilities carrying value amount under regulatory scope of consolidation	(148,083)	(148,083)	-	-	-
3	Total net amount under regulatory scope of consolidation	1,227,573	1,227,573	-	-	-
4	Off-balance sheet amounts	220,079	82,205	-	-	-
5	*Differences in valuations*	-	-	-	-	-
6	*Differences due to different netting rules, other than those already included in row 2*	-	-	-	-	-
7	*Differences due to consideration of provisions*	-	-	-	-	-
8	*Differences due to prudential filters*	-	-	-	-	-
9	Exposure amounts considered for regulatory purposes	1,447,652	1,309,778	-	-	-

4. Composition of Capital

4.1. Composition of Regulatory Capital (CC1)

This provides a breakdown of the constituent elements of the bank's capital.

Sn.	Description	(a) 31-Dec-23 AED'000	(b) 31-Dec-22 AED'000	(c) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
1.	**Aggregate Capital Funds**	**550,127**	500,974	
1.1	Paid up capital	375,000	375,000	
1.2	Share Premium	**-**	-	
1.3	Reserves, excluding revaluation reserve	59,311	57,290	
1.4	**Retained earnings/ (-) Loss**	**115,816**	68,684	
1.4.1	Accumulated retained earnings / (-)	66,663	48,479	
1.4.2	Audited / Reviewed Current year profit / (-) current financial year loss	49,153	20,205	
1.4.3	Proposed Dividend	**-**	-	
	Less:			
1.5	Good will	**-**	-	
2.	**Total Assets excluding cash collaterals and sovereign guarantees**	**1,294,048**	1,254,041	
2.1	Total Assets	1,398,384	1,379,772	
2.2	Cash collaterals (legally enforceable)	104,336	125,731	
2.3	Sovereign Guarantees (legally enforceable)	-	-	
3.	**Aggregate capital fund (%)**	**43%**	40%	

4. Composition of Capital

4.2. Reconciliation of Regulatory Capital to Balance Sheet (CC2)

This table enables users to identify the differences between the scope of accounting and regulatory consolidation, and to show the link between the bank's balance sheet in its published financial statements and the numbers that are used in the composition of capital disclosure template set out in Template CC1.

Description	(a) Balance sheet as in published financial statements	(b) Under regulatory scope of consolidation	(c) Reference
	31-Dec-23	31-Dec-23	
	AED'000	AED'000	
Assets			
Cash and balances at central banks	451,704	451,704	
Items in the course of collection from other banks	-	-	
Trading portfolio assets	-	-	
Financial assets designated at fair value	57,894	73,174	
Derivative financial instruments	-	-	
Loans and advances to banks	317,210	319,463	
Loans and advances to customers	418,907	466,848	*Note 1*
Reverse repurchase agreements and other similar secured lending	-	-	
Available for sale financial investments (Includes FVOCI)	70,879	70,879	
Current and deferred tax assets	-	-	
Prepayments, accrued income and other assets	12,581	11,301	*Note 2*
Investments in associates and joint ventures	-	-	
Goodwill and other intangible assets	1,785	1,785	
Of which: goodwill	-	-	(a)
Of which: intangibles (excluding MSRs)	1,785	1,785	(b)
Of which: MSRs	-	-	(c)
Property, plant and equipment	1,950	1,950	
Total assets	**1,332,910**	**1,397,104**	
Liabilities			
Deposits from banks	105,076	105,076	
Items in the course of collection due to other banks	-	-	
Customer accounts	652,691	652,691	
Repurchase agreements and other similar secured borrowing	-	-	
Trading portfolio liabilities	-	-	
Financial liabilities designated at fair value	-	-	
Derivative financial instruments	-	-	
Debt securities in issue	-	-	
Accruals, deferred income and other liabilities	15,004	15,004	*Note 1*
Current and deferred tax liabilities	-	-	
Subordinated liabilities	-	-	
Provisions	2,641	31,541	*Note 1*
Retirement benefit liabilities	7,535	7,535	
Total liabilities	**782,947**	**811,847**	

Description	(a) Balance sheet as in published financial statements	(b) Under regulatory scope of consolidation	(c) Reference
	31-Dec-23	31-Dec-23	
	AED'000	AED'000	
Shareholders' equity			
Paid-in share capital	375,000	375,000	
Retained earnings	110,901	115,816	
Accumulated other comprehensive income	64,062	59,147	
Total shareholders' equity	**549,963**	**549,963**	

Notes:

1. *Difference in balances under regulatory scope for financial assets designated at fair value, Loans and advances to banks/customers and available for sale financial investments are gross of provisions (specific and general);*
2. *Difference in balances consists of cash in hand balances added to other assets under regulatory scope;*
3. *Difference in balances consists of Total retained earnings and accumulated other comprehensive income is the 10% allocated legal reserves from 2023 year-end profit under regulatory scope.*

Description	(a) Balance sheet as in published financial statements 31-Dec-22 AED'000	(b) Under regulatory scope of consolidation 31-Dec-22 AED'000	(c) Reference
Assets			
Cash and balances at central banks	510,703	504,679	
Items in the course of collection from other banks	-	-	
Trading portfolio assets	-	-	
Financial assets designated at fair value	54,320	54,478	
Derivative financial instruments	-	-	
Loans and advances to banks	373,717	377,923	
Loans and advances to customers	299,552	349,574	*Note 1*
Reverse repurchase agreements and other similar secured lending	-	-	
Available for sale financial investments (Includes FVOCI)	70,757	70,757	
Current and deferred tax assets	-	-	
Prepayments, accrued income and other assets	13,841	16,076	*Note 2*
Investments in associates and joint ventures	-	-	
Goodwill and other intangible assets	327	-	
Of which: goodwill	-	-	(a)
Of which: intangibles (excluding MSRs)	327	-	(b)
Of which: MSRs	-	-	(c)
Property, plant and equipment	2,169	2,169	
Total assets	1,325,386	1,375,656	
Liabilities			
Deposits from banks	82,313	82,313	
Items in the course of collection due to other banks	-	-	
Customer accounts	710,632	710,632	
Repurchase agreements and other similar secured borrowing	-	-	
Trading portfolio liabilities	-	-	
Financial liabilities designated at fair value	-	-	
Derivative financial instruments	-	-	
Debt securities in issue	-	-	
Accruals, deferred income and other liabilities	20,491	16,702	*Note 1*
Current and deferred tax liabilities	-	-	
Subordinated liabilities	-	-	
Provisions	1,834	56,220	*Note 1*
Retirement benefit liabilities	7,536	7,536	
Total liabilities	822,806	873,403	

Description	(a) Balance sheet as in published financial statements	(b) Under regulatory scope of consolidation	(c) Reference
	31-Dec-22	31-Dec-22	
	AED'000	AED'000	
Shareholders' equity			
Paid-in share capital	375,000	375,000	
Retained earnings	66,663	68,684	
Accumulated other comprehensive income	60,917	58,013	
Total shareholders' equity	502,580	501,697	

Notes:

1. *Difference in balances under regulatory scope for financial assets designated at fair value, Loans and advances to banks/customers and available for sale financial investments are gross of provisions (specific and general);*
2. *Difference in balances consists of cash in hand balances added to other assets under regulatory scope;*
3. *Difference in balances consists of Total retained earnings and accumulated other comprehensive income is the 10% allocated legal reserves from 2022 year-end profit under regulatory scope.*

5. Liquidity

5.1. Liquidity risk management (LIQA)

Enable users of Pillar 3 data to make an informed judgment about the soundness of a bank's liquidity risk management framework and liquidity position.

Overview and Governance

Liquidity risk arises due to mismatch in the asset-liability maturity. The cost of liquidity risk is in terms of either raising fresh liabilities at higher costs or liquidating assets with greater hair-cuts.

The Bank maintains and manages its local liquidity requirements according to its business needs within the overall Group Liquidity Risk Framework that includes a Group Liquidity Risk Policy. The Bank monitors a number of key risk indicators to help in the anticipation of liquidity stress and has in place contingency funding plans consisting of actions that management can rely upon should liquidity level fall below minimum liquidity requirement.

Liquidity is monitored by AKF Management and by AKF ALCCO to ensure the Bank has liquidity to cover its liquidity requirements, with an appropriate buffer in line with its risk appetite. Head of Finance (AKF) is responsible for regular reporting analyses and recommendations to AKF ALCCO. These cover the maturity profile of all assets and liabilities by currency, in addition to conducting stress tests based on internal and regulatory requirements to complement regular liquidity analysis and provide insight into the potential impact of adverse scenarios.

Management

The GALCCO is responsible of providing guidance and support to the AKF ALCCO who is responsible of managing the Bank’s liquidity needs in line with the Group Liquidity policy.

The Bank sets aside capital for liquidity risk under Pillar 2 based on the asset liability maturity mismatch profile analysis. The Bank computes the cumulative gap (assets minus liabilities) for each time bucket up to and including that bucket. The capital set aside for liquidity risk is estimated as 2% of the largest negative cumulative gap observed in the asset liability maturity mismatch profile.

Stress Testing

Given the liquidity related stress in the current market conditions, the Bank considered a hypothetical stress situation in which severe cash outflows were considered and liquid sources to meet the liquid liabilities were identified. The liquidity stress testing covered the scenario similar to “bank run”. In this stress scenario, the Bank considers a bank run lasting for seven days after which the Bank expects management action to remedy the situation. The Bank exercises zero tolerance in funding position for the duration of the stress.

In addition a contingency plan agreed upon within AKF Assets and Liability Capital Committee and under the guidance of the Group, is the back-up of the head office and Group liquidity to create additional liquidity, bridging the gap pending the inflow of additional deposits.

Note:
LCR and NSFR are not applicable (NA) for the Bank as per CB UAE regulations, instead the Bank in replacement is disclosing ELAR & ASRR;

The following table summarizes the maturity profile of the Banks' assets and liabilities based on contractual repayment arrangements.

	Less than 3 months AED'000	*3 months to 1 year AED'000*	*Over 1 year AED'000*	*Total AED'000*
2023				
Assets				
Cash and balances with the Central Bank of the U.A.E.	**405,305**	**-**	**46,399**	**451,704**
Due from related parties	**108,607**	**-**	-	**108,607**
Deposit and balance due from banks and financial institutions	**135,407**	**54,834**	**18,362**	**208,603**
Investments securities	**-**	**-**	**128,773**	**128,773**
Loans and advances to customers	**77,731**	**14,803**	**326,373**	**418,907**
Other assets	**8,419**	**1,735**	**2,427**	**12,581**
Property and equipment	**-**	**-**	**1,950**	**1,950**
Intangibles	**-**	**-**	**1,785**	**1,785**
Total assets	**735,469**	**71,372**	**526,069**	**1,332,910**
Liabilities and equity				
Due to banks and financial institutions	**87,388**	**-**	**-**	**87,388**
Customer deposits	**586,290**	**66,401**	**-**	**652,691**
Due to related parties	**17,688**	**-**	**-**	**17,688**
Other liabilities	**16,999**	**530**	**7,651**	**25,180**
Equity	**-**	**-**	**549,963**	**549,963**
Total liabilities and equity	**708,365**	**66,931**	**557,614**	**1,332,910**

The following table summarizes the maturity profile of the Banks' off-balance sheet items based on contractual repayment arrangements.

	Within 3 months AED'000	*From 3 to 6 months AED'000*	*From 6 to 12 months AED'000*	*Over 1 year AED'000*	*Total AED'000*
2023					
Off-balance sheet items					
Guarantees and letters of credit	143,671	13,565	24,234	5,255	**186,725**

	Less than 3 months AED'000	3 months to 1 year AED'000	Over 1 year AED'000	Total AED'000
2022				
Assets				
Cash and balances with the Central Bank of the U.A.E.	471,123	-	39,580	510,703
Due from related parties	134,673	-	-	134,673
Deposit and balance due from banks and financial institutions	131,271	53,328	54,445	239,044
Investments securities	-	-	125,077	125,077
Loans and advances to customers	93,975	10,947	194,630	299,552
Other assets	11,044	444	2,353	13,841
Property and equipment	-	-	2,169	2,169
Intangibles	-	-	327	327
Total assets	842,086	64,719	418,581	1,325,386
Liabilities and equity				
Due to banks and financial institutions	1,552	-	-	1,552
Customer deposits	668,366	42,266	-	710,632
Due to related parties	80,761	-	-	80,761
Other liabilities	21,988	213	7,660	29,861
Equity	-	-	502,580	502,580
Total liabilities and equity	772,667	42,479	510,240	1,325,386

The following table summarizes the maturity profile of the Banks' off-balance sheet items based on contractual repayment arrangements.

	Within 3 months AED'000	From 3 to 6 months AED'000	From 6 to 12 months AED'000	Over 1 year AED'000	Total AED'000
2022					
Off-balance sheet items					
Guarantees and letters of credit	159,160	28,150	21,115	7,037	215,462

5. Liquidity

5.2. Eligible Liquid Assets Ratio (ELAR)

Breakdown of bank's available high-quality liquid assets (HQLA) according to the CBUAE Liquidity Regulations.

Sn.	Description	31-Dec-23	31-Dec-23	31-Dec-22	31-Dec-22
1	**High Quality Liquid Assets**	**Nominal amount**	**Eligible Liquid Asset**	Nominal amount	Eligible Liquid Asset
		AED'000	**AED'000**	AED'000	AED'000
1.1	Physical cash in hand at the bank + balances with the CBUAE	451,704		510,703	
1.2	UAE Federal Government Bonds and Sukuks	-		-	
	Sub Total (1.1 to 1.2)	451,704	451,704	510,703	510,703
1.3	UAE local governments publicly traded debt securities	-		-	
1.4	UAE Public sector publicly traded debt securities	-		-	
	Subtotal (1.3 to 1.4)	-	-	-	-
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	-	-	-	-
1.6	**Total**	**451,704**	**451,704**	**510,703**	**510,703**
2	Total liabilities		780,306		820,973
3	**Eligible Liquid Assets Ratio (ELAR)**		**57.89%**		**62.21%**

ELAR of the Bank continues to operate at levels comfortably above the 10% minimum requirement as currently prescribed by the CBUAE.

5. Liquidity

5.3. Advances to Stable Resources Ratio (ASRR)

Breakdown of the bank's advances to Stables Resource ratio as per the Liquidity regulations.

Sn.		Description	31-Dec-23	31-Dec-22
			Amount	Amount
1		**Computation of Advances**	**AED'000**	AED'000
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	388,719	313,627
	1.2	Lending to non-banking financial institutions	46,811	-
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	-	-
	1.4	Interbank Placements	73,196	107,773
	1.5	**Total Advances**	**508,726**	421,400
2		**Calculation of Net Stable Resources**		
	2.1	Total capital + general provisions	571,479	522,694
		Deduct:		
	2.1.1	Goodwill and other intangible assets	1,785	327
	2.1.2	Fixed Assets	1,950	2,169
	2.1.3	Funds allocated to branches abroad	-	-
	2.1.5	Unquoted Investments	-	-
	2.1.6	Investment in subsidiaries, associates and affiliates	-	-
	2.1.7	**Total deduction**	**3,735**	2,496
	2.2	**Net Free Capital Funds**	**567,744**	520,198
	2.3	**Other stable resources:**		
	2.3.1	Funds from the head office	-	-
	2.3.2	Interbank deposits with remaining life of more than 6 months	-	-
	2.3.3	Refinancing of Housing Loans	-	-
	2.3.4	Borrowing from non-Banking Financial Institutions	15,748	16,101
	2.3.5	Customer Deposits	542,495	592,010
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	-	-
	2.3.7	**Total other stable resources**	**558,243**	608,111
	2.4	**Total Stable Resources (2.2+2.3.7)**	**1,125,987**	1,128,309
3		**Advances TO STABLE RESOURCES RATIO (1.5/ 2.4*100)**	**45.18**	37.35

ASRR of the Bank continues to operate at levels comfortably below the 100% ceiling as currently prescribed by CBUAE.

6. Credit Risk

6.1. General qualitative information about credit risk (CRA)

Describe the main characteristics and elements of credit risk management (business model and credit risk profile, organization and functions involved in credit risk management, risk management reporting).

Overview and Governance

The Bank has set up a strong risk management infrastructure supported by adoption of certain practices in the field of risk management to manage and monitor the following major risks arising out of its day to day operations:

- Credit risk
- Liquidity risk
- Market risk
- Interest rate risk
- Operational risk

Risk management framework:

The Head Office of the Branches has overall responsibility for the oversight of the risk management framework. It has established detailed policies and procedures in this regard along with senior management committees to ensure adherence to the approved policies and close monitoring of different risks within the Branches.

The Credit, Risk and Management Committees work under the mandate of the Head Office to set up risk limits and manage the overall risk in the Branches.

These committees are responsible for developing risk policies in line with the Branches' appetite. Highly experienced and trained managers have delegated authority within the risk management framework to approve credit risk transactions and monitor market and operational risk.

Credit risk management:

Credit Risk is defined as the potential risk that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The Bank is exposed to Credit Risk due to its investments, its corporate, SME & retail exposures. The Bank sets aside capital charge for Credit Risk using the Standardized Approach as prescribed under the capital adequacy guidelines by CBUAE.

Policies relating to credit are reviewed and approved by the Banks' Risk Committee. All credit lines are approved centrally for the Branches. Loans in general, are secured by acceptable forms of collateral in order to mitigate credit risk. The Branches further limit risk through diversification of its assets by industry sectors.

All credit facilities are administered and monitored by the Credit Administration Department. Periodic reviews are conducted by Credit Examination teams from the Audit, Review and Compliance and obligors are risk graded based on criterion established in the Credit Policy Manual.

The Credit Committees are responsible for setting credit policy of the Branches. It also establishes industry caps, approves policy exceptions and conducts periodic portfolio reviews to ascertain portfolio quality.

Different credit underwriting procedures are followed for retail and commercial lending as described below.

Retail lending:

Each retail credit application is considered for approval according to a product program, which is devised in accordance with guidelines set out in the product policy approved by the Branches' Credit Committee. Different authority levels are specified for approving product programs and exceptions thereto, and individual loans/credits under product programs. Each product program contains detailed credit criteria (such as customer demographics and income eligibility) and regulatory, compliance and documentation requirements, as well as other operating requirements.

Commercial lending:
All credit applications for commercial lending are subject to the Branches' credit policies, underwriting standards and industry caps (if any) and to regulatory requirements, as applicable from time to time. The Branches do not lend to companies operating in industries that are considered by the Branches inherently risky and where specialized industry knowledge is required. In addition, the Branches set credit limits for all customers based on an evaluation of their creditworthiness.

All credit lines or facilities extended by the Branches are made subject to prior approval pursuant to a set of delegated credit authority limits approved by the Branches' Head Office.

Objectives and Policies:
The goal of the risk management process is to provide a structured, practical and easily understood set of five steps:

i) Identify the risks;
ii) Analyze the likelihood and impact of each;
iii) Prioritize risk based on enterprise objectives;
iv) Treat (or respond to) the risk conditions;
v) Monitor results and use those to adjust, as necessary.

That enables management to identify and assess risks, determine the appropriate risk response and then monitor the effectiveness of the risk response and changes to the risk profile.

The granting of credit is one the Bank's major sources of income and, as a Principal Risk, considerable resources are dedicated to its control.

The credit risk that the Bank faces arises mainly from wholesale and retail loans together with the counterparty credit risk arising from derivative contracts with clients.

Other sources of credit risk arise from trading activities, including debt securities; settlement balances with market counterparties and available for sale assets.

Credit risk management objectives are to:

- To establish a framework of controls to ensure credit risk-taking is based on sound credit risk management principles;
- To identify, assess and measure credit risk clearly and accurately across the Bank and within each separate business from the level of individual facilities, up to the total portfolio;
- To control and plan credit risk-taking in line with external stakeholder expectations and avoiding undesirable concentrations;
- To monitor credit risk and adherence to agreed controls;
- To ensure that the risk reward benefits are met.

Going forward, the Bank has no plans in the near future to adopt advanced approaches for the measurement and quantification of Credit Risk capital requirements. The Bank understands that the advanced approaches to credit risk will provide a more accurate estimate of capital requirement for credit exposures and will undertake steps towards their implementation in due course as it is subject to the availability of data, setting up of adequate risk IT infrastructure, internal risk measurement methodologies and regulatory approval.

6. Credit Risk

6.2. Credit quality of assets (CR1)

The table provides a comprehensive picture of the credit quality of a bank's (on- and off-balance sheet) assets.

							AED'000
		a	**b**	**c**	**d**	**e**	**f**
Sn.	**Description**	**Gross carrying values**		**Allowances/ Impairments**	**Of which ECL accounting provisions for credit losses**		**Net values (a+b-c)**
	31-Dec-23	**Defaulted exposures**	**Non-Defaulted exposures**		**Allocated in regulatory category of Specific**	**Allocated in regulatory category of General**	
1.	Loans	31,318	435,530	47,941	20,363	16,623	**418,907**
2.	Debt securities	223	143,830	15,280	223	15,057	**128,773**
3.	Off-balance sheet exposures	2,652	194,506	2,641	-	2,641	**194,517**
4.	**Total**	**34,193**	**773,866**	**65,862**	**20,586**	**34,321**	**742,197**

							AED'000
		a	b	c	d	e	f
Sn.	Description	Gross carrying values		Allowances/ Impairments	Of which ECL accounting provisions for credit losses		Net values (a+b-c)
	31-Dec-22	Defaulted exposures	Non-Defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General	
1.	Loans	35,947	313,627	50,022	28,754	14,075	299,552
2.	Debt securities	-	125,235	158	-	158	125,077
3.	Off-balance sheet exposures	2,149	217,930	1,834	1,477	357	218,245
4.	Total	38,096	656,792	52,014	30,231	14,590	642,874

Notes:

1. *For defaulted exposures: comprises balances of impaired loans and past due loans for more than 90 days;*
2. *For off-balance exposures: comprises balances of customers acceptances, letters of credit and guarantees for banks and customers, derivatives and irrevocable commitments;*
3. *Derivatives are taken after considering the PFE calculation;*
4. *For allowances/impairments: comprises balances of interests in suspense, specific and general provisions.*

6. Credit Risk

6.3. Changes in the stock of defaulted loans and debt securities (CR2)

The table identifies the changes in a bank's stock of defaulted exposures, the flows between non-defaulted and defaulted exposure categories and reductions in the stock of defaulted exposures due to write-offs.

Sn.	Description	31-Dec-23
		AED'000
1.	**Defaulted loans and debt securities at the end of the previous reporting period**	**33,865**
2.	Loans and debt securities that have defaulted since the last reporting period	24
3.	Returned to non-default status	-
4.	Amounts written off	(68)
5.	Other changes	(2,280)
6.	**Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)**	**31,541**

Sn.	Description	30-Jun-23
		AED'000
1.	Defaulted loans and debt securities at the end of the previous reporting period	35,947
2.	Loans and debt securities that have defaulted since the last reporting period	-
3.	Returned to non-default status	-
4.	Amounts written off	-
5.	Other changes	(2,082)
6.	Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	33,865

6. Credit Risk

6.4. Additional disclosure related to the credit quality of assets (CRB)

Supplement the quantitative templates with information on the credit quality of the bank's assets.

Credit review procedures and loan classification

The Banks' Credit Risk Team (the 'CRT'), subjects risk assets to an independent quality evaluation on a regular basis in conformity with the guidelines of the Central Bank of U.A.E. and Bank's internal policies in order to assist in the early identification of accrual and potential performance problems.

The CRT validates the risk ratings of all commercial clients, provides an assessment of portfolio risk by product and segment for retail customers and monitors observance of all approved credit policies, guidelines and operating procedures across the Bank.

If a credit is overdue for 90 days or more, interest is suspended and is not credited to income. Specific allowance for impairment of classified assets is made based on recoverability of outstanding and risk ratings of the assets. The Bank also comply with IFRSs, in accordance with which it assesses the need for any impairment losses on its loan portfolio by calculating the net present value of the expected future cash flows for each loan or its recoverability based either on collateral value or the market value of the asset where such price is available.

Impaired loans and advances

Impaired loans and advances are loans and advances for which the Bank determine that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/advances agreement(s). These loans are graded as substandard, doubtful or loss in the Bank's internal credit risk grading system.

Past due but not impaired loans

Loans and advances where contractual interest or principal payments are past due but the Bank believe that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Bank.

Allowances for impairment

The Bank establish an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for the Bank on homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment. Collective impairment is against the calculated expected credit loss under IFRS9.

Write-off policy

The Bank write off a loan (and any related allowances for impairment losses) when Bank's Credit Committee determines that the loan is uncollectible in whole or in part. This determination is reached after all avenues for recovery have failed. For smaller balance standardized loans, charge off decisions generally are based on a product specific past due status.

Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk:

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Branches considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis including internal credit risk grading system, external risk ratings, where available, delinquency status of accounts, credit judgement and, where possible, relevant historical experience. The Branches may also determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

In determining whether credit risk has increased significantly since initial recognition following criteria are considered:

i) Two notches downgrade for ratings from Aaa to Baa or one notch downgrade for ratings from Ba to Caa;
ii) Facilities restructured during previous twelve months;
iii) Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer’s ability to meet its obligations;
iv) Actual or expected significant changes in the operating results of the customer;
v) Significant changes in the expected performance and behavior of the customer, including changes in the payment status of customers in the group and changes in the operating results of the customer.

Credit risk grades:
Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. Exposures are subject to on-going monitoring, which may result in an exposure being moved to a different credit risk grade. The Bank uses a rating tool named Moody’s Risk Analyst (MRA) to determine the credit risk grades for companies, and define judgmental ratings, when needed in the absence of financials for individual borrowers.

Generating the term structure of Probability of Default (PD):
The Bank employs statistical models to analyse the data collected and generate estimates of PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors, across various geographies in which the Branches has exposures.

Renegotiated and restructured financial assets:
The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value. Where possible, the Branches seeks to restructure loans rather than to take possession of collateral, if available. This may involve extending the payment arrangements and documenting the agreement of new loan conditions. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The accounts which are restructured due to financial difficulties of the borrower in the past 12 months, are systematically classified under Stage 2.

Definition of default:
The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Branches in full, without recourse by the Branches to actions such as realizing security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Branches;
- the borrower is rated 8, 9 or 10.

In assessing whether a borrower is in default, the Branches also considers indicators that are:

- quantitative – e.g. overdue status and non-payment on another obligation of the same borrower to the Branches; and

- based on information gathered internally and/or obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Branches for regulatory capital purposes.

Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect the Expected Credit Loss (ECL) applicable to the stage 1 and stage 2 exposures which are considered as performing. The methodologies and assumptions involved, including any forecasts of future economic conditions, are reviewed periodically

Forward-looking information incorporated in the ECL models:
The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Branches has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

The Branches employs statistical models to incorporate macro-economic factors on historical default rates. In the case that none of the macro-economic parameters are statistically significant or the results of forecasted PDs are too deviated from the present forecast of the economic conditions, qualitative PD overlay is used by management based on portfolio analysis.

Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect the ECL applicable to the stage 1 and stage 2 exposures. The methodologies and assumptions involved, including any forecasts of future economic conditions, are reviewed periodically.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are based on available information and include mean reversion approaches for long-term forecasts. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, other possible scenarios are assessed along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. At 1 January 2023 and 31 December 2023, the Branches concluded that three scenarios appropriately captured non-linearities for all portfolios. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Branches measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3).

These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Branches considers these forecasts to represent its best estimate of the possible outcomes.

Economic variable assumptions:

The most significant period-end assumption used for the ECL estimate as at 31 December 2023 is the gross domestic product, given the high level of correlation between this and other economic indicators.

The scenarios “base”, “upside” and “downside” were used for all portfolios.

Macroeconomic variables - 2023	Scenario	Assigned probabilities	2023	2024	2025	2026	2027	2028
Gross domestic product, constant prices (% change)	Base case	65.0%	3.5	3.9	4.0	4.2	4.3	4.3
	Upside	11.2%	5.5	5.8	6.0	6.2	6.2	6.3
	Downside	23.8%	1.5	1.9	2.1	2.3	2.4	2.6
General government revenue (% of GDP)	Base case	65.0%	33.0	32.0	31.2	30.7	30.3	30.1
	Upside	11.2%	36.9	36.0	35.1	34.5	34.0	33.7
	Downside	23.8%	29.0	28.2	27.4	26.8	26.5	26.2
Current account balance (% of GDP)	Base case	65.0%	7.1	7.0	6.8	6.7	6.5	6.5
	Upside	11.2%	12.3	12.0	11.6	11.3	11.0	10.8
	Downside	23.8%	1.9	1.5	1.0	0.7	0.3	0.2

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models. These statistical models are primarily based on internally compiled data comprising both quantitative and qualitative factors and are supplemented by external credit assessment data where available.

LGD is the magnitude of the likely loss if there is a default. The Branches estimates LGD parameters based on a consistent rate for unsecured facilities and considers the impact of collateral for secured facilities.

Credit quality:

Pursuant to the adoption of IFRS 9, the Branches has mapped its internal credit rating scale to Moody's rating scale, the table below provides an analysis of counterparties by rating grades and credit quality of the Branches' credit risk, based on Moody's ratings (or their equivalent) as at 31 December 2023.

The following table sets out information about the credit quality of financial assets, commitments and financial guarantees.

	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***2023 Total AED'000***	*2022 Total AED'000*
Cash and balances with the Central Bank of the U.A.E (excluding cash on hand) and due from related parties and deposit and balances due from banks and financial institutions					
AAA to AA-	**443,419**	**-**	**-**	**443,419**	582,501
A+ to A-	**87,941**	**-**	**-**	**87,941**	7,060
BBB to BBB-	**49,579**	**-**	**-**	**49,579**	49,579
BB+ to B-	**54,889**	**18,363**	**-**	**73,252**	107,820
Unrated*	**108,564**	**127**	**-**	**108,691**	135,642
Total	**744,392**	**18,490**	**-**	**762,882**	882,602
Expected credit losses – IFRS 9	**(1,846)**	**(407)**	**-**	**(2,253)**	(4,206)
Carrying amount	**742,546**	**18,083**	**-**	**760,629**	878,396

*Externally unrated are internally rated by the Bank

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	2023 Total AED'000	2022 Total AED'000
Loans and advances to customers					
AAA to AA-	-	-	-	-	-
A+ to A-	-	-	-	-	-
BBB to BBB-	-	-	-	-	-
BB+ to B-	138,623	-	-	138,623	-
Unrated*	108,469	188,438	31,318	328,225	349,574
Total	247,092	188,438	31,318	466,848	349,574
Expected credit losses – IFRS 9	(2,358)	(14,265)	(31,318)	(47,941)	(50,022)
Carrying amount	244,734	174,173	-	418,907	299,552

*Externally unrated are internally rated by the Bank

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	2023 Total AED'000	2022 Total AED'000
Investment securities					
AAA to AA-	18,344	-	-	18,344	-
A+ to A-	70,879	-	-	70,879	70,757
BBB to BBB-	-	-	-	-	-
BB+ to B-	18,363	-	-	18,363	54,478
Unrated*	-	36,244	223	36,467	-
Total	107,586	36,244	223	144,053	125,235
Expected credit losses – IFRS 9	(192)	(14,865)	(223)	(15,280)	(158)
Carrying amount	107,394	21,379	-	128,773	125,077

*Externally unrated are internally rated by the Bank

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	2023 Total AED'000	2022 Total AED'000
Financial commitments and guarantees					
AAA to AA-	-	-	-	-	-
A+ to A-	-	-	-	-	-
BBB to BBB-	-	-	-	-	-
BB+ to B-	-	-	-	-	-
Unrated*	**185,988**	**85,274**	**2,653**	**273,915**	302,935
Total	**185,988**	**85,274**	**2,653**	**273,915**	302,935
Expected credit losses – IFRS 9	**(545)**	**(317)**	**(1,779)**	**(2,641)**	(1,834)
Carrying amount	**185,443**	**84,957**	**874**	**271,274**	301,101

*Externally unrated are internally rated by the Bank.

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of impaired assets by risk grade.

	Due from banks and financial institutions		*Loans and advances to customers*		*Investment securities*	
	2023	*2022*	***2023***	*2022*	***2023***	*2022*
	AED'000	*AED'000*	***AED'000***	*AED'000*	***AED'000***	*AED'000*
Impaired						
Doubtful	-	-	**7,191**	-		-
Loss	-	-	**24,127**	35,947	**223**	-
Gross amount	-	-	**31,318**	35,947	**223**	-
Interest suspended	-	-	**(10,955)**	(7,193)		-
Specific allowance for impairment	-	-	**(20,363)**	(28,754)	**(223)**	-
	-	-	**-**	-	**-**	-
Past due but not impaired						
Past due loans less than 30 days	-	-	**2,116**	384	**-**	-
	-	-	**2,116**	384	**-**	-
Neither past due nor impaired						
Gross amount	**210,856**	243,250	**433,414**	313,243	**143,830**	125,235
IFRS 9 allowance for impairment	**(2,253)**	(4,206)	**(16,623)**	(14,075)	**(15,057)**	(158)
	208,603	239,044	**416,791**	299,168	**128,773**	125,077
Carrying amount	**208,603**	239,044	**418,907**	299,552	**128,773**	125,077

Credit risk exposure of the Branches' Loans as per the internal and external risk grade is as follows:

	2023 AED'000	2022 AED'000
Normal	**416,817**	294,537
OLEM	**18,713**	19,090
Substandard	**-**	2
Doubtful	**7,191**	10,509
Loss	**24,127**	25,436
	466,848	349,574

The Branches hold collateral against loans and advances to customers in the form of mortgage interests over property, financial collateral in the form of pledge on deposits, cash margins, bank guarantees, and other type of collaterals. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and value of collaterals are monitored periodically as per the policy of Bank and as and when a loan is individually assessed as impaired.

At 31 December, the fair value of collateral held was as follows:

Loans & Advances to customers:

	31-December-2023				*31-December-2022*			
	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***	*Stage 1 AED'000*	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
Property	**180,637**	**326,875**	**16,038**	**523,550**	185,192	320,416	25,817	531,425
Cash	**5,964**	**1,007**	**-**	**6,971**	7,040	8,513	-	15,553
Others	**-**	**-**	**-**	**-**	57,000	54,555	-	111,555
Total	**186,601**	**327,882**	**16,038**	**530,521**	249,232	383,484	25,817	658,533

The Branch's internal credit rating grades for the year ended 31 December 2023:

ECL staging	***External rating description***	***Balances with UAE Central Bank AED'000***	***Contingencies and commitments* AED'000***	***Due from banks AED'000***	***Loans and advances AED'000***	***Investment securities AED'000***	***Due from related parties AED'000***	***Total AED'000***
Stage 1	AAA to B- or B3	443,419	185,988	192,366	247,092	107,586	108,607	**1,285,058**
Stage 2	Caa1 or CCC+ to CCC-	-	85,274	18,490	188,438	36,244	-	**328,446**
Stage 3	Ca or CC to D	-	2,653	-	31,318	223	-	**34,194**
Gross amount		**443,419**	**273,915**	**210,856**	**466,848**	**144,053**	**108,607**	**1,647,698**
Less provisions & interests in suspense		**-**	**(2,641)**	**(2,253)**	**(47,941)**	**(15,280)**	**-**	**(68,115)**
Net book value		**443,419**	**271,274**	**208,603**	**418,907**	**128,773**	**108,607**	**1,579,583**

**Includes the outstanding unutilised facilities as of 31 December 2023 amounted to AED 87 million (2022: AED 87 million).*

The Branch's internal credit rating grades for the year ended 31 December 2022:

ECL staging	*External rating description*	*Balances with UAE Central Bank AED'000*	*Contingencies and commitments* AED'000*	*Due from banks AED'000*	*Loans and advances AED'000*	*Investment securities AED'000*	*Due from related parties AED'000*	*Total AED'000*
Stage 1	AAA to B- or B3	504,679	189,730	187,683	114,715	125,235	134,673	1,256,715
Stage 2	Caa1 or CCC+ to CCC-	-	111,056	55,567	198,912	-	-	365,535
Stage 3	Ca or CC to D	-	2,149	-	35,947	-	-	38,096
Gross amount		504,679	302,935	243,250	349,574	125,235	134,673	1,660,346
Less provisions & interests in suspense		-	(1,834)	(4,206)	(50,022)	(158)	-	(56,220)
Net book value		504,679	301,101	239,044	299,552	125,077	134,673	1,604,126

The following table shows the mapping between the Bank Internal credit rating and their equivalent external ratings used by the top 3 rating agencies. In addition, the Bank utilizes Moody's Risk Analyst (MRA) to define the credit rating of the borrowers (companies) who prepare financials.

<table>
<tr><th>ORR</th><th>UAE</th><th>Moody's</th><th>S&P</th><th>FITCH</th></tr>
<tr><td>1</td><td rowspan="16">Normal</td><td>Aaa</td><td>AAA</td><td>AAA</td></tr>
<tr><td>2+</td><td>Aa1</td><td>AA+</td><td>AA+</td></tr>
<tr><td>2</td><td>Aa2</td><td>AA</td><td>AA</td></tr>
<tr><td>2-</td><td>Aa3</td><td>AA-</td><td>AA-</td></tr>
<tr><td>3+</td><td>A1</td><td>A+</td><td>A+</td></tr>
<tr><td>3</td><td>A2</td><td>A</td><td>A</td></tr>
<tr><td>3-</td><td>A3</td><td>A-</td><td>A-</td></tr>
<tr><td>4+</td><td>Baa1</td><td>BBB+</td><td>BBB+</td></tr>
<tr><td>4</td><td>Baa2</td><td>BBB</td><td>BBB</td></tr>
<tr><td>4-</td><td>Baa3</td><td>BBB-</td><td>BBB-</td></tr>
<tr><td>5+</td><td>Ba1</td><td>BB+</td><td>BB+</td></tr>
<tr><td>5</td><td>Ba2</td><td>BB</td><td>BB</td></tr>
<tr><td>5-</td><td>Ba3</td><td>BB-</td><td>BB-</td></tr>
<tr><td>6+</td><td>B1</td><td>B+</td><td>B+</td></tr>
<tr><td>6</td><td>B2</td><td>B</td><td>B</td></tr>
<tr><td>6-</td><td>B3</td><td>B-</td><td>B-</td></tr>
<tr><td rowspan="3">7</td><td rowspan="3">OLEM</td><td>Caa1</td><td>CCC+</td><td rowspan="5">CCC</td></tr>
<tr><td>Caa2</td><td>CCC</td></tr>
<tr><td>Caa3</td><td>CCC-</td></tr>
<tr><td rowspan="2">8</td><td rowspan="2">Substandard</td><td rowspan="2">Ca</td><td>CC</td></tr>
<tr><td>C</td></tr>
<tr><td rowspan="2">9</td><td rowspan="2">Doubtful</td><td rowspan="3">C</td><td rowspan="3">D</td><td>DDD</td></tr>
<tr><td>DD</td></tr>
<tr><td>10</td><td>Loss</td><td>D</td></tr>
</table>

Loans and advances to customer with renegotiated terms

The following table contains an analysis of the credit risk exposure of total restructured loans and advances to customer:

		As at 31 December 2023		
Total restructured portfolio	***Stage 1 AED'000***	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
Outstanding balance	**-**	**185,797**	**-**	**185,797**
Allowances for impairment (ECL)	**-**	**(13,867)**	**-**	**(13,867)**
Carrying amount	**-**	**171,930**	**-**	**171,930**

Total restructured portfolio	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
		As at 31 December 2022		
Outstanding balance	-	189,495	-	189,495
Allowances for impairment (ECL)	-	(13,867)	-	(13,867)
Carrying amount	-	175,628	-	175,628

	As at 31-12-2023		*As at 31-12-2022*	
Total restructured portfolio during the year	***Post-modification AED'000***	***Pre-modification AED'000***	*Post-modification AED'000*	*Pre-modification AED'000*
Outstanding balance	**168,791**	**178,425**	19,075	19,891
Stage 1	**-**	**-**	-	-
Stage 2	**168,791**	**178,425**	19,075	19,891
Stage 3	**-**	**-**	-	-
Allowances for impairment (ECL)	**(11,481)**	**(11,481)**	(2,386)	-
Carrying amount	**157,310**	**166,944**	16,689	19,891

Geographical sectors

The following tables break down the Bank's credit risk exposure at their net carrying amounts (without taking into account any collateral held or other credit support), as categorized by geographical region.
For this table, the Bank's has allocated exposures to regions based on the country of domicile of its counterparties:

	UAE AED'000	***Middle East countries AED'000***	***O.E.C.D AED'000***	***Other countries AED'000***	***Impairment allowance AED'000***	***Total AED'000***
At 31 December 2023						
Balances with the Central Bank of U.A.E. - excluding cash	**443,419**	**-**	**-**	**-**	**-**	**443,419**
Due from related parties	**-**	**475**	**108,132**	**-**	**-**	**108,607**
Deposits and balances due from banks and financial institutions	**134,743**	**19,111**	**20,531**	**36,471**	**(2,253)**	**208,603**
Loans and advances to customers	**360,233**	**59,804**	**-**	**46,811**	**(47,941)**	**418,907**
Investment securities	**89,224**	**54,829**	**-**	**-**	**(15,280)**	**128,773**
Other assets	**2,163**	**2,032**	**1,005**	**1,392**	**-**	**6,592**
Total exposure	**1,029,782**	**136,251**	**129,668**	**84,674**	**(65,474)**	**1,314,901**

	UAE AED'000	Middle East countries AED'000	O.E.C.D AED'000	Other countries AED'000	Impairment allowance AED'000	Total AED'000
At 31 December 2022						
Balances with the Central Bank of U.A.E. - excluding cash	504,679	-	-	-	-	504,679
Due from related parties	-	2,650	132,023	-	-	134,673
Deposits and balances due from banks and financial institutions	118,217	22,051	66,899	36,083	(4,206)	239,044
Loans and advances to customers	289,330	60,244	-	-	(50,022)	299,552
Investment securities	70,757	54,478	-	-	(158)	125,077
Other assets	1,605	1,323	344	933	-	4,205
Total exposure	984,588	140,746	199,266	37,016	(54,386)	1,307,230

Concentration of risks of financial assets with credit risk exposure - off balance sheet

Geographical sectors

	UAE AED'000	**Middle East countries AED'000**	**O.E.C.D AED'000**	**Other countries AED'000**	**Total AED'000**
At 31 December 2023					
Guarantees	**177,125**	**3,000**	**-**	**-**	**180,125**
Letters of credit	**6,600**	**-**	**-**	**-**	**6,600**
Unutilised credit facilities	**78,913**	**-**	**-**	**8,277**	**87,190**
Total exposure	**262,638**	**3,000**	**-**	**8,277**	**273,915**

	UAE AED'000	Middle East countries AED'000	O.E.C.D AED'000	Other countries AED'000	Total AED'000
At 31 December 2022					
Guarantees	206,207	3,000	-	-	209,207
Letters of credit	6,255	-	-	-	6,255
Unutilised credit facilities	87,473	-	-	-	87,473
Total exposure	299,935	3,000	-	-	302,935

The distributions by geographical concentration of impaired loans and advances and impairment allowance for credit losses are as follows:

	UAE	***Middle East countries***	***O.E.C.D***	***Other countries***	***Total***
	AED'000	***AED'000***	***AED'000***	***AED'000***	***AED'000***
At 31 December 2023					
Non-performing loans	**29,690**	**1,628**			**31,318**
Impairment allowance for credit losses	**(18,735)**	**(1,628)**	**-**	**-**	**(20,363)**
Interest in suspense	**(10,955)**	**-**	**-**	**-**	**(10,955)**
Total exposure	-	-	-	-	-

	UAE	*Middle East countries*	*O.E.C.D*	*Other countries*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*
At 31 December 2022					
Non-performing loans	34,319	1,628	-	-	35,947
Impairment allowance for credit losses	(27,126)	(1,628)	-	-	(28,754)
Interest in suspense	(7,193)	-	-	-	(7,193)
Total exposure	-	-	-	-	-

The following table depicts the interest rate sensitivity position and interest rate gap position based on contractual repricing arrangement as at 31 December 2023:

Interest rate sensitivity gap:

	Within 3 months	***From 3 to 6 months***	***From 6 to 12 months***	***Over 1 year***	***Non-interest sensitive***	***Total***
	AED'000	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***
Assets						
Cash and Balances with the Central Bank of U.A.E.	**390,000**	**-**	**-**	**-**	**61,704**	**451,704**
Due from related parties	**108,132**	**-**	**-**	**-**	**475**	**108,607**
Deposits and balances due from banks and financial institutions	**134,579**	**18,363**	**36,471**	**18,362**	**828**	**208,603**
Investment securities	**70,879**	**-**	**-**	**57,894**	**-**	**128,773**
Loans and advances to customers	**169,570**	**1,724**	**5,224**	**242,389**	**-**	**418,907**
Other assets	**-**	**-**	**-**	**-**	**12,581**	**12,581**
Property and equipment	**-**	**-**	**-**	**-**	**1,950**	**1,950**
Intangibles	**-**	**-**	**-**	**-**	**1,785**	**1,785**
Total assets	**873,160**	**20,087**	**41,695**	**318,645**	**79,323**	**1,332,910**

	Within 3 months	*From 3 to 6 months*	*From 6 to 12 months*	*Over 1 year*	*Non-interest sensitive*	*Total*
	AED'000	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***
Liabilities and Equity						
Due to banks and financial institutions	**85,000**	**-**	**-**	**-**	**2,388**	**87,388**
Customers' deposits	**227,850**	**42,674**	**23,035**	**-**	**359,132**	**652,691**
Due to related parties	**12,854**	**-**	**-**	**-**	**4,834**	**17,688**
Other liabilities	**-**	**-**	**-**	**-**	**25,180**	**25,180**
Equity	**-**	**-**	**-**	**-**	**549,963**	**549,963**
Total liabilities and Equity	**325,704**	**42,674**	**23,035**	**-**	**941,497**	**1,332,910**
On balance sheet gap	**547,456**	**(22,587)**	**18,660**	**318,645**	**(862,174)**	**-**
Cumulative interest rate sensitivity gap	**547,456**	**524,869**	**543,529**	**862,174**	**-**	**-**

The following table depicts the interest rate sensitivity position and interest rate gap position based on contractual repricing arrangement as at 31 December 2022:

	Within 3 months	*From 3 to 6 months*	*From 6 to 12 months*	*Over 1 year*	*Non-interest sensitive*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Assets						
Cash and Balances with the Central Bank of U.A.E.	460,000	-	-	-	50,703	510,703
Due from related parties	128,389	-	-	-	6,284	134,673
Deposits and balances due from banks and financial institutions	117,520	18,363	34,965	54,445	13,751	239,044
Investment securities	70,757	-	-	54,320	-	125,077
Loans and advances to customers	176,768	2,464	12,927	107,393	-	299,552
Other assets	-	-	-	-	13,841	13,841
Property and equipment	-	-	-	-	2,169	2,169
Intangibles	-	-	-	-	327	327
Total assets	953,434	20,827	47,892	216,158	87,075	1,325,386
Liabilities and Equity						
Due to banks and financial institutions	-	-	-	-	1,552	1,552
Customers' deposits	205,085	14,421	27,148	-	463,978	710,632
Due to related parties	67,941	-	-	-	12,820	80,761
Other liabilities	-	-	-	-	29,861	29,861
Equity	-	-	-	-	502,580	502,580
Total liabilities and Equity	273,026	14,421	27,148	-	1,010,791	1,325,386
On balance sheet gap	680,408	6,406	20,744	216,158	(923,716)	-
Cumulative interest rate sensitivity gap	680,408	686,814	707,558	923,716	-	-

The following table breaks down the Bank's main credit exposure at their gross carrying amounts, as categorized by geographical regions:

	31 December 2023				31 December 2022		
	Assets	Liabilities and equity	Off balance sheet items		Assets	Liabilities and equity	Off balance sheet items
	AED'000	AED'000	AED'000		AED'000	AED'000	AED'000
Geographic regions							
U.A.E.	**983,945**	**1,257,649**	**262,638**		949,987	1,203,791	212,462
Other Middle East countries	**134,622**	**35,132**	**3,000**		139,119	106,226	3,000
O.E.C.D.	**129,668**	**33,991**	**-**		199,265	13,637	-
Other	**84,675**	**6,138**	**8,277**		37,015	1,732	-
Total	**1,332,910**	**1,332,910**	**273,915**		**1,325,386**	**1,325,386**	**215,462**

The following table breaks down the Bank's main credit exposure at their gross carrying amounts, as categorized by industry sector:

	31 December 2023				31 December 2022		
	Assets	Liabilities and equity	Off balance sheet items		Assets	Liabilities and equity	Off balance sheet items
	AED'000	AED'000	AED'000		AED'000	AED'000	AED'000
Industry Sector							
Government and public sector	**665,683**	**27,637**	-		631,142	410	-
Commercial and business	**199,096**	**481,786**	**269,665**		215,755	504,531	212,341
Personal	**84,425**	**194,415**	**393**		88,841	191,276	21
Financial institutions	**369,229**	**151,420**	**3,857**		379,486	101,851	3,100
Other	**14,477**	**477,652**	**-**		10,162	527,318	-
Total	**1,332,910**	**1,332,910**	**273,915**		1,325,386	1,325,386	215,462

6. Credit Risk

6.5. Qualitative disclosure requirements related to Credit Risk Mitigation techniques (CRC)

Provide qualitative information on the mitigation of credit risk.

Overview

The approach is when the Bank assesses the borrower's capacity to repay by evaluating factors such as income, cash flow, assets, liabilities, and overall financial stability. This assessment helps determine the borrower's ability to meet the repayment obligations without relying heavily on collateral or other credit risk mitigants.

The Bank ensures that collateral agreements are legally effective and enforceable in the relevant jurisdiction. A legal opinion is requested whenever needed for specific collateral arrangements. The rules governing the revaluation of the collateral, including frequency, are mentioned in the internal policies of the Bank. When the market is subject to significant changes, the Bank carries out frequent monitoring.

The immovable property collateral is valued by an independent valuator who documents the valuation in a clear and transparent manner.

All financial collaterals are in the Bank books, and are not held with other institutions.

All collateral documents are archived in safe boxes with very limited access, except for well identified risk officers.

While credit risk mitigants such as collateral, guarantees, or credit insurance can provide additional security, the Bank recognize that these measures may not fully offset the inherent credit risk. Therefore, the Bank consider the borrower's overall creditworthiness and financial health as primary factors in the credit decision-making process.

The Bank hold collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and value of collaterals are monitored periodically as per the policy of Bank and as and when a loan is individually assessed as impaired. Financial Collaterals are deducted from the exposure subject to full documentation.

The standardised approach is applied for Credit risk exposures. The standardised approach requires Banks to use risk assessments prepared by external credit assessment institutions ('ECAIs') or ECAs to determine the risk weightings applied to rated counterparties.

ECAI risk assessments are used as part of the determination of risk weightings for the following classes of exposure:

i) Sovereigns and Central Banks.
ii) Public Sector Entities.
iii) Multilateral Development Banks.
iv) Banks.
v) Corporates.

As per Basel & CBUAE guidelines, the Bank is using the rating as per the ECAI from the major three rating agencies i.e. Fitch, Moody's, S&P for their risk weighted assets working by using the multiple assessment "if there are three assessments with different risk weights, the assessment corresponding to the two lowest risk weight should be referred to the higher of those two risk weight will be applied."

7. Counterparty Credit Risk

7.1. Qualitative disclosure related to counterparty credit risk (CCRA)

Describe the main characteristics of counterparty credit risk management (e.g. operating limits, use of guarantees and other CRM techniques, impacts of own credit rating downgrading).

Overview

Counterparty credit risk management is a crucial aspect of financial institutions' risk management frameworks, especially for entities involved in trading or lending activities. Here are the main characteristics:

a) Operating Limits: The Group sets operating limits to control exposure to individual counterparties. These limits are based on various factors including the counterparty's creditworthiness, market conditions, and the institution's risk appetite. By setting limits, institutions mitigate the risk of large losses due to adverse movements in counterparty credit quality;

b) Use of Guarantees and Collateral: The Bank may decide to require collateral or guarantees from counterparties to mitigate credit risk. This can take the form of cash, securities, or other liquid assets that can be liquidated in the event of default. Collateral agreements help protect institutions by providing a source of recovery in case of counterparty default;

c) Credit Risk Mitigation (CRM) Techniques: Besides collateralization, the Bank use various CRM techniques to manage counterparty credit risk. These may include netting agreements, where obligations between counterparties are offset against each other, reducing the institution's overall exposure. Credit derivatives such as credit default swaps (CDS) can also be utilized to transfer credit risk to third parties;

Overall, effective counterparty credit risk management involves a combination of prudent risk assessment, robust risk mitigation techniques, regulatory compliance, and proactive monitoring to safeguard the Bank from potential losses arising from counterparties' default or credit deterioration.

8. Market Risk

8.1. General qualitative disclosure requirements related to market risk (MRA)

Provide a description of the risk management objectives and policies for market risk

Overview

Market Risk is the risk of losses arising from movement in market based prices. The Bank assesses the market risk exposure and sets aside capital charge using the standardized measurement method as prescribed under the capital adequacy guidelines by CBUAE.

It is also the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. The Bank classify exposures to market risk into non-trading or banking-book.

The Bank carry a limited amount of market risk as a policy preference and it is continuously monitored. Foreign exchange for the account of the Branches is managed properly.

AKF ALCCO is responsible for managing the investment portfolio. All investments are recommended by AKF ALCCO within the regulators guidelines and then authorized by the AKF Credit and Investment Committee (AKF CIC) in line with the Group risk policies.

All foreign exchange exposures held by the Bank are to fulfill the client requirements. The Bank does not plan to deal in any derivative instruments other than very limited forward deals as part of its banking book exposures. Market risk faced by the Bank is primarily due to the exposures in the foreign currency with a major concentration (99.9%) in USD. As the USD is pegged against the AED, the volatility is minimal.

In addition to that, the Bank is also facing risk resulting from changes in interest rates and their volatility on the value of financial instruments sensitive to interest rates such as bonds and interest rate swaps.

However, as prescribed by CBUAE recently, open positions in USD pegged to AED, are permitted to be treated as open positions in AED. Other GCC currencies to be treated as open positions in their own related currencies.

Finance department performs on a monthly basis stress tests of the Bank’s positions subject to interest rate and FX (Foreign Exchange) risk and reports the results to AKF ALCCO. The Bank’s exposure to market risk is managed and monitored based on recommendations made by AKF ALCCO, and in line with the Group Market Risk appetite and policy.

Capital Charge under Market Risk

Given the low exposure to Market Risk (only FX exposure) and strategic decision to refrain from open positions in the trading book, the Bank considers market risk as low.

In case, the Bank changes its strategy and increases its exposure to trading book products, it will comply with the Group Market Risk policy to ensure that the treasury and investments decisions do not expose the Bank to undue or unauthorized levels of Market Risk.

9. Interest rate risk in the banking book

9.1. IRRBB risk management objectives and policies (IRRBBA)

To provide a description of the risk management objectives and policies concerning IRRBB.

Overview

Interest rate risk in the banking book (IRRBB) refers to the risk of changes in market prices of assets and liabilities in the banking book due to changes in the interest rate term structure. Banks have a significant portion of their assets and liabilities portfolio not marked and carried on the books at their historical prices. The economic value of such assets and liabilities is generally not ascertained on a regular basis and can be a significant source of risk if the asset or liability is not held till maturity.

Management

The Bank is exposed to interest rate risk as a result of mismatches in the re-pricing profile of various assets and liabilities of the Bank. The mismatch in the re-pricing profile is measured by computing the Rate Sensitive Assets (RSA) and the Rate Sensitive Liabilities (RSL) of the Bank.

Finance department performs on a quarterly basis stress tests of the Bank's positions subject to interest rate and reports the results to AKF ALCCO. The Bank's exposure to IRRBB risk is managed and monitored based on recommendations made by AKF ALCCO, and in line with the Group Market Risk appetite and policy.

The Bank estimates the capital charge by assessing the IRRBB associated with its business activities via scenario analysis that will measure the impact on market value of assets/liabilities as a result of a shift in the market reference rate. The Bank uses the method indicated in the BCBS paper to compute the impact of interest rate shock on the economic value of equity (EVE) and net interest income (NII).

a) All assets and liabilities belonging to the banking book are slotted into a maturity ladder comprising of a number of time bands big enough to sufficiently capture the nature of interest rate risk;
b) Fixed-rate instruments are allocated as per the residual term to maturity and floating rate instruments according to the residual term to the repricing date;
c) For each time band, long and short positions are off-setted resulting in a net long or short position in each time band;
d) The resulting net positions are weighted by a factor that is designed to reflect the sensitivity of the positions in the different time bands to an assumed change in market interest rates of 200bps;
e) The weighted positions from each time band are summed to calculate the weighted position of the whole banking book;
f) Customer non maturing deposits (CASA) are considered within the below calculation under overnight bucket;
g) Multiple shock scenarios are used to capture parallel as well as non-parallel gap risk measured in terms of EVE.

The six interest rate shock scenarios for the Pillar 2 capital framework for IRRBB are: (i) parallel shock up; (ii) parallel shock down; (iii) steepener shock (short rates down and long rates up); (iv) flattener shock (short rates up and long rates down); (v) short rates shock up; and (vi) short rates shock down.

The Basel III approach expects banks to set aside capital charge of the allocated capital for IRRBB where it should not be lower than the maximum of the absolute EVE impact and the absolute NII impact, Max(abs(EVE impact), abs(NII impact) as maximum.

Repricing maturity assigned to non-maturity deposits (NMDs)

Sr.	Description	Assumption
1	Average repricing maturity assigned to NMDs	No specific assumptions were applied on NMD's. All interest sensitive NMD's are assigned to overnight bucket
2	Longest repricing maturity assigned to NMDs	No specific assumptions were applied on NMD's. All interest sensitive NMD's are assigned to overnight bucket

Stress Test

In order to assess the impact of interest rate risk due to a severe shift in interest rate term structure, the Bank considers a parallel downward shift in interest rates of 300 bps and assesses the impact on earnings of the Bank and capital charge for IRRBB.

9. Interest rate risk in the banking book (IRRBBA)

9.2. Quantitative information on IRRBB (IRRBB1)

The below table provides information on the bank's changes in economic value of equity and net interest income under the prescribed interest rate shock scenarios.

In reporting currency (AED'000)	**ΔEVE**		**ΔNII**	
Period	**31-Dec-2023**	31-Dec-2022	**31-Dec-2023**	31-Dec-2022
Parallel up	**(23,124)**	(15,001)	**10,287**	12,650
Parallel down	**25,732**	16,609	**(10,287)**	(12,650)
Steepener	**(3,183)**	(1,861)		
Flattener	**(2,023)**	(1,555)		
Short rate up	**(11,661)**	(7,769)		
Short rate down	**12,125**	8,034		
Maximum	**(23,124)**	(15,001)		
Period	**31-Dec-2023**		31-Dec-2022	
Tier 1 capital	**548,178**		501,370	

10. Operational Risk

10.1. General qualitative information on a bank's operational risk framework (ORA)

To describe the main characteristics and elements of the bank's operational risk management framework.

Overview

Operational Risk is the risk of losses from inadequate or failed internal processes, people & systems or from external events which include but not limited to legal and information technology risk.

The Bank assesses the operational risk exposure and sets aside capital charge using the Basic Indicator Approach (BIA), as prescribed under the capital adequacy guidelines by CBUAE.

Identification of Operational Risk

The main sources of Operational Risk in the Bank are:

- Process (Policies and SOP has been documented);
- People: (including insufficient staff, inaccuracy/delay in performance; also related with training quality, willful circumvention of regulation and responsibility);
- Systems (including failure, system limitations, bugs etc.);
- External events (Vendors/ Cards Fraud /Phishing/Skimming etc.).

The Bank's operational risk management framework considers operational risk arising from all the business and support units of the Bank. The framework considers the operational risks arising from processes, people, systems, and internal or/and external events.

Assessment of process, people, systems and external events impact

Source of risk	Current position of the Bank
Process	After successful migration to the new core banking system (T24), revision of related processes tested successfully and all processes in place.
People	The Bank is making conscious efforts to increase risk management awareness and risk culture across the bank.
Systems	System driven validations and controls are being reviewed & implemented. Adequate monitoring mechanism is in place to enhance detective controls. Furthermore, consultants are available to facilitate quick support in case of technical issues.
External events	The Bank is exposed to external stress events and market conditions that may impact adversely. External incidents are being logged through Operational Risk system (Risk Nucleus) and being maintained in the risk library.

Assessment of Operational Risk

The Bank annually performs a Risk and Control Self-Assessment (RCSA) at Bank-wide level to determine the inherent risks residing in the functioning of the various departments and the efficacy of the controls in place to mitigate those risks.

The Bank has implemented an operational risk reporting and management system 'Risk Nucleus' which streamlines the process of operational risk management in meeting organization's functional and regulatory requirements.

The tool is capable of capturing, collecting, managing, tracking and generating reports of operational risks events based on which assessments are being performed across the Bank. The Bank arrives at a residual risk value based on the above assessments.

Management of Operational Risk

The Bank has established an operational risk management framework which is broadly classified into the following main components:

i) Governance;
ii) Risk Transfer Mechanism;
iii) ORM Tools;
iv) Business Continuity Management;
v) Fraud Risk Management;
vi) Monitoring & reporting.

i) Governance

The Bank, in line with the Group, seeks to minimize actual or potential losses from operational failures through a framework of policies and procedures that identify, asses, control, manage and report those risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education/awareness and assessment processes. Following are the roles and responsibilities performed by the Board of Directors and the Senior Management to ensure effective operational risk management:

The Group Risk Committee (GRC) reviews and recommends the Operational Risk policy and place it to the Group Board Compliance & Risk Committee (CRC) for its approval, reviews and recommends the operational risk appetite for the Group to the CRC for its approval, and adjudicates on Operational Risk matters (as escalated by GORM), concerning the Group's business. Additionally, the GRC approves limits, deductibles, exclusions and other conditions pertaining to Bankers blanket bond (BBB), Professional indemnity (PI) and Directors and Officers liability (D&O) and other relevant insurance contracts, reviews reports escalated by GORM and approves financial/other resources to implement control actions.

The GORM defines group-wide policies for Operational Risk Management (ORM), including operational risk governance, coordinates risk transfer mechanisms including insurance across the Group, escalates risk acceptance matters (where key risks are accepted) to the GRC, and enforces the implementation of this policy. The policy recognizes for practicality purpose, enforcement may be in the form of escalation to members of the GRC rather than direct intervention.

ii) Risk Transfer Mechanism

Risk Transfer is a mechanism whereby the risk of loss is transferred to another party and the other party assumes (or pays for) the consequences of the risk should it occur. Traditional risk transfer methods include entering into an insurance contract with a reputable insurer who assumes the risk on behalf of the Bank, in return for a premium payable by the Bank.

The Bank's Risk Transfer framework is an integral part of the Operational Risk Management framework and benefits the bank by improving risk coverage in the insurance contracts. Annual reviews are conducted to map the operational risks faced by the Bank to the applicable insurance contracts, in order to ascertain levels of coverage, should risk materialize.

iii) ORM Tools

The Bank has embedded operational risk management elements into its day-to-day activities and processes, through a strategic adoption of ORM tools across all business units and branches. The Bank annually develops an ORM calendar, which details the ORM programs (such as RCSAs, KRIs, etc.) that provides the assurance of required ORM activities for the year. The Bank's ORM function has been using a comprehensive operational risk management system – 'Risk Nucleus' since 2011. The system is intranet-based and work-flow driven, enabling the Bank to proactively manage the measurement, monitoring and reporting of operational risks using the Incident Management, Loss Data Collection, Risk and Control Self-Assessment (RCSA) and Key Risk Indicator

(KRI's) modules. The Bank has developed various ORM tools, which cover processes, products, systems and the entire gamut of activities which may give rise to operational risks. The ORM tools are summarized below:

A) Risk and Control Self-Assessment (RCSA):

This is the bottom up risk identification and assessment exercise carried out at the department level. The RCSA process consists of two stages - Inherent Risk Self-Assessment and Control Self-Assessments.

a) <u>Inherent Risk Self-Assessment:</u>

Departments identify their inherent operational risks and maintain a customized risk register on the operational risk system, pertaining to the products/ services offered by their units and aligned with the processes for their departments. Identified inherent operational risks are assessed at least annually.

b) <u>Control Self-Assessment:</u>

A Control Self-Assessment (CSA) is a "line of business" is defined as a process by which a department examines and improves existing internal controls and/or implements new internal controls to mitigate risks associated with a process or function. The CSA process entails documentation of the process or function, identification of all risks related to that process or function, and identification and evaluation of all internal controls that should be in place to mitigate the risks to an acceptable level. Each CSA will have its own goals and objectives; however, every CSA will also have the following three global objectives:

- Communication and understanding of each department's roles and responsibilities within the selected process or function, including the roles and responsibilities of each individual that is part of the process or function;
- Determination of acceptable levels of risk;
- Determination of the correct cost-benefit trade-off for establishing new internal controls.

B) Operational Loss Database (OLD):

The data on operational losses is captured in the OLD to enable further analysis on it to understand the true cause of the operational loss incident. Based on the analysis steps are taken to prevent any further occurrences of loss incidents of similar kind. Captured incidents in the OLD are in form of direct losses, indirect losses & near misses, on the basis of the incident reporting mechanism.

C) Key Risk Indicators (KRIs):

GORM has introduced a structured approach to enable the development of KRIs by all business units. A reporting structure has been established for the KRIs and the business units are responsible for tracking KRI threshold breaches on a timely basis, and taking appropriate corrective actions. The validity of KRIs are reviewed on a periodic basis and the GORM is notified of changes to the same.

iv) Business Continuity Management

The Bank has a well-documented, effective and tested Business Continuity Management Program and detailed manual of the same have been made available to the employees. The employees are regularly updated on the same through ongoing training, education and system updates.

v) Fraud Risk Management

The Bank has a comprehensive Fraud Risk Management framework and policy that has been rolled out across by the Group. This covers the responsibilities of all departments, and outlines the governance framework, including the Group Special Investigations Committee, that is convened to supervise and monitor investigations into events of potential impropriety when necessary.

Further, the fraud incidents are investigated and root cause is analyzed following Group Fraud Risk policy. As fraud remains a category of Operational risk, related incidents are captured in OLD under the subcategory of Internal/External Fraud.

vi) Monitoring and Reporting

Ongoing monitoring and reporting on operational risk is crucial to ensure the continued adequacy and effectiveness of ORM activities. All relevant units monitor and measure their operational risk exposure through the use of Key Indicators [performance (KPIs), risk (KRIs) and/or controls (KCIs)]. Key Indicators is used by the department as a means of control to track changes in their exposure to operational risk.

Monthly Operational risk report is issued and assessed in the monthly AKF Risk Committee & Group Risk Committee in order to:

- Study the Past - Incidents reported, trends;
- The Future - New Risks and Near term risk reduction measures;
- Action Plans tracking for control improvement and to fix control failure;
- Detailed incidents above threshold;
- Detailed commentary on indicators that have shown deterioration YTD.

Significant issues will be escalated to GRC, as GORM is authorized to follow-up departments regarding non-delivery of agreed action plans and to escalate to GRC.

Going forward the Bank has no plans in the near future to use more advanced approaches and will follow by all means CBUAE guidelines in this regard.

11. Remuneration policy

11.1. Remuneration policy (REMA)

To describe the bank's remuneration policy as well as key features of the remuneration system to allow meaningful assessments by users of Pillar 3 data of banks' compensation practices

Overview

HR Policy supports the development of an efficient, transparent and accountable organization. The manpower planning, recruitment, performance management, development and promotion policies are focused on hiring and developing a balanced mix of UAE nationals and expatriate workers based on their objectively measured performance and capacity to grow.

The HR policy is tailored in each region to be aligned with the market practices and subject to compliance with the UAE Labor Laws in relevant operating jurisdictions of the Bank.

Within Al Khaliji France, the base of remuneration is fixed. Variable pay in the form of cash recognized as annual bonus could be awarded based on the performance of the Bank and on the individual performance. The payment of bonus is linked to the previous performance period.

To ensure a comprehensive link between remuneration and performance, individual objectives are fixed by the employees at the beginning of each year and consist of a set of financial and non-financial objectives to be achieved partly or completely over the same year. The payment of a bonus is not guaranteed, and performance management processes ensures that bad performers are not rewarded.

11. Remuneration policy

11.2. Remuneration awarded during the financial year (REM1)

Provides quantitative information on remuneration for the financial year.

Sn.	Description		31-Dec-2023 AED'000 (a) Senior Management	31-Dec-2023 AED'000 (b) Other Material Risk-takers
1.	Fixed Remuneration	**Number of employees**	**4**	**-**
2.		**Total fixed remuneration (3 + 5 + 7)**	**2,868**	**-**
3.		Of which: cash-based	2,868	-
4.		Of which: deferred	-	-
5.		Of which: shares or other share-linked instruments	-	-
6.		Of which: deferred	-	-
7.		Of which: other forms	-	-
8.		Of which: deferred	-	-
9.	Variable Remuneration	**Number of employees**	**4**	**-**
10.		**Total variable remuneration (11 + 13 + 15)**	**305**	**-**
11.		Of which: cash-based	305	-
12.		Of which: deferred	-	-
13.		Of which: shares or other share-linked instruments	-	-
14.		Of which: deferred	-	-
15.		Of which: other forms	-	-
16.		Of which: deferred	-	-
17.	**Total Remuneration (2+10)**		**3,173**	**-**

Sn.	Description		31-Dec-2022 AED'000 (a) Senior Management	31-Dec-2022 AED'000 (b) Other Material Risk-takers
18.	Fixed Remuneration	Number of employees	5	-
19.		Total fixed remuneration (3 + 5 + 7)	3,075	-
20.		Of which: cash-based	3,075	-
21.		Of which: deferred	-	-
22.		Of which: shares or other share-linked instruments	-	-
23.		Of which: deferred	-	-
24.		Of which: other forms	-	-
25.		Of which: deferred	-	-
26.	Variable Remuneration	Number of employees	5	-
27.		Total variable remuneration (11 + 13 + 15)	252	-
28.		Of which: cash-based	252	-
29.		Of which: deferred	-	-
30.		Of which: shares or other share-linked instruments	-	-
31.		Of which: deferred	-	-
32.		Of which: other forms	-	-
33.		Of which: deferred	-	-
34.	Total Remuneration (2+10)		3,327	-

12. Acronyms

Sn.	Abbreviations	Description
1.	**AKF**	**A**l **K**haliji **F**rance S.A. (Head office in France and its Branches in the UAE)
2.	**AKF ALCCO**	**AKF A**sset, **L**iability and **C**apital **Co**mmittee
3.	**AML**	**A**nti-**M**oney **L**aundry
4.	**ASRR**	**A**dvances to **S**table **R**esources **R**atio
5.	**AT1**	**A**dditional **T**ier **1**
6.	**BBB**	**B**ankers **B**lanket **B**ond
7.	**BCBS**	**B**asel **C**ommittee on **B**anking **S**upervision
8.	**BCM**	**B**usiness **C**ontinuity **M**anagement
9.	**BIA**	**B**usiness **I**ndicator **A**pproach
10.	**CB UAE**	**C**entral **B**ank of **U.A.E.**
11.	**CCF**	**C**redit **C**onversion **F**actor
12.	**CCP**	**C**entral **C**ounterparty
13.	**CCR**	**C**ounterparty **C**redit **R**isk
14.	**CET1**	**C**ommon **E**quity **T**ier **1**
15.	**CIC**	**C**redit and **I**nvestment **C**ommittee
16.	**CRC**	Group Board **C**ompliance & **R**isk **C**ommittee
17.	**CRM**	**C**redit **R**isk **M**itigation
18.	**CSA**	**C**ontrol **S**elf-**A**ssessment
19.	**D&O**	**D**irectors **&** **O**fficers
20.	**D-SIB**	**D**omestic **S**ystemically **I**mportant **B**anks
21.	**EAD**	**E**xposure **A**t **D**efault
22.	**ECL**	**E**xpected **C**redit **L**osses
23.	**ELAR**	**E**ligible **L**iquid **A**sset **R**atio
24.	**EVE**	**E**conomic **V**alue of **E**quity
25.	**FVOCI**	**F**air **V**alue through **O**ther **C**omprehensive **I**ncome
26.	**GALCCO**	**G**roup **A**sset, **L**iability and **C**apital **Co**mmittee
27.	**GDP**	**G**ross **D**omestic **P**roduct
28.	**GORM**	**G**roup **O**perational **R**isk **M**anager
29.	**GRC**	**G**roup **R**isk **C**ommittee
30.	**Group**	**M**asraf **A**l **R**ayan Doha (**MAR** Doha or Qatar)
31.	**H.O**	**A**l **K**haliji **F**rance Paris (**AKF** Paris or France)
32.	**HNWI**	**H**igh **N**et-**W**orth **I**ndividuals
33.	**HQLA**	**H**igh **Q**uality **L**iquid **A**ssets
34.	**ICAAP**	**I**nternal **C**apital **A**dequacy **A**ssessment **P**rocess
35.	**IFRS**	**I**nternational **F**inancial **R**eporting **S**tandards
36.	**KCI**	**K**ey **C**ontrol **I**ndicators
37.	**KPI**	**K**ey **P**erformance **I**ndicators
38.	**KRI**	**K**ey **R**isk **I**ndicators
39.	**LC**	**L**etter of **C**redit
40.	**LCR**	**L**iquidity **C**overage **R**atio
41.	**LGD**	**L**oss **G**iven **D**efault
42.	**LR**	**L**everage **R**atio
43.	**MRA**	**M**oody's **R**isk **A**nalyst
44.	**MVE**	**M**arket **V**alue of **E**quity
45.	**NPL**	**N**on-**P**erforming **L**oans
46.	**NSFR**	**N**et **S**table **F**unding **R**atio
47.	**O.E.C.D.**	**O**rganization for **E**conomic **C**o-operation and **D**evelopment
48.	**OLD**	**O**perational **L**oss **D**atabase

Sn.	Abbreviations	Description
49.	**OLEM**	**O**ther **L**oans **E**specially **M**entioned
50.	**ORM**	**O**perational **R**isk **M**anagement
51.	**PD**	**P**robability of **D**efault
52.	**PFE**	**P**otential **F**uture **E**xposure
53.	**PI**	**P**rofessional **I**ndemnity
54.	**RCSA**	**R**isk and **C**ontrol **S**elf-**A**ssessment
55.	**RSA**	**R**ate **S**ensitive **A**ssets
56.	**RSL**	**R**ate **S**ensitive **L**iabilities
57.	**RWA**	**R**isk **W**eighted **A**ssets
58.	**SA**	**S**tandardized **A**pproach
59.	**SFT**	**S**ecurities **F**inancing **T**ransactions
60.	**SICR**	**S**ignificant **I**ncrease in **C**redit **R**isk
61.	**SOP**	**S**tandard **O**perating **P**rocedures

13. Glossary

1. **Capital conservation buffer**
A capital buffer prescribed by BCBS and CBUAE under Basel III and designed to ensure banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred. Should the bank's CET1 capital fall within the capital conservation buffer range, capital distributions will be constrained by the regulators.

2. **Countercyclical capital buffer (CCyB)**
The countercyclical capital buffer is part of a set of macro prudential instruments, designed to help counter pro-cyclicality in the financial system. CCyB as defined in the Basel III standard provides for an additional capital requirement of up to 2.5 per cent of risk-weighted assets.

3. **Counterparty credit risk (CCR)**
The risk that a counterparty defaults before satisfying its obligations under a derivative, a securities financing transaction (SFT) or a similar contract.

4. **Credit Conversion Factor (CCF)**
As prescribed by CBUAE, an estimate of the amount the Group expects a customer to have drawn further on a facility limit at the point of default.

5. **Credit risk adjustment (CRA)**
This includes impairment allowances or provisions balances, and changes in ECL.

6. **Credit risk mitigation (CRM)**
Credit risk mitigation is a process to mitigate potential credit losses from any given account, customer or portfolio by using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and guarantees.

7. **Domestic systemically important banks (D-SIB)**
Domestic systemically important banks are deemed systemically relevant for the domestic financial system in which they operate. The CBUAE and the BCBS have developed a framework for identifying and dealing with D-SIBs. The Central Bank of the UAE annually assesses national banks at their consolidated group level and foreign banks at their UAE branch level; to designate banks whose failure could escalate to systemic risk for the UAE banking sector and eventually impact the economy.

8. **Economic Value of Equity (EVE)**
The economic value of equity (EVE) is a cash flow calculation that takes the present value of all asset cash flows and subtracts the present value of all liability cash flows. Unlike earnings at risk and value at risk (VAR), a bank uses the economic value of equity to manage its assets and liabilities. This is a long-term economic measure used to assess the degree of interest rate risk exposure—as opposed to net-interest income (NII), which reflects short-term interest rate risk.

9. **Fully Loaded ECL**
Means Bank's regulatory capital compared with a situation where the transitional arrangement for IFRS 9 had not been applied. CBUAE introduced transitional arrangements as per circular no. 04/2020 "Regulation Regarding Accounting Provisions and Capital Requirements - Transitional Arrangements".

10. **Internal Capital Adequacy Assessment Process (ICAAP)**
A requirement under Pillar 2 of the Basel framework to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of capital to be held against these risks.

11. Key Control Indicators (KCI's)

Key Control Indicators or KCIs also referred to as Control Effectiveness Indicators are metrics that provide information on the extent to which a given control is meeting its intended objectives in terms of loss prevention, reduction, etc.

12. Key Performance Indicators (KPIs)

Key Performance Indicators refer to a set of quantifiable measurements used to gauge a Bank's overall long-term performance. KPIs specifically help determine a Bank's strategic, financial, and operational achievements, especially compared to those of other businesses within the same sector.

13. Key Risk Indicators (KRIs)

Key Risk Indicators are used by financial firms to measure their exposure to a given risk at a particular time. By comparing an appropriate set of key risk indicators with internal limits and thresholds, banks can determine whether their operational risk exposures are within their risk appetite.

14. Leverage ratio

A ratio introduced under Basel III/CRD that compares Tier 1 capital to total exposures, including certain exposures held off-balance sheet as adjusted by stipulated credit conversion factors. Intended to be a simple, non-risk based backstop measure.

15. Liquidity Coverage Ratio (LCR)

The ratio of the stock of high quality liquid assets to expected net cash outflows over the following 30 days. High quality liquid assets should be unencumbered, liquid in markets during a time of stress and, ideally, be central bank eligible.

16. Net stable funding ratio (NSFR)

The ratio of available stable funding (ASF) to required stable funding (RSF) over a one-year time horizon, assuming a stressed scenario. It is a longer-term liquidity measure designed to restrain the amount of wholesale borrowing and encourage stable funding over a one year time horizon.

17. Securities Financing Transactions (SFT)

Securities Financing Transactions are secured (i.e. collateralized) transactions that involve the temporary exchange of cash against securities, or securities against other securities, e.g. stock lending or stock borrowing or the lending or borrowing of other financial instruments, a repurchase or reverse repurchase transaction, or a buy-sell back or sell-buy back transaction.

18. Standardized Approach (SA)

In relation to credit risk, a method for calculating credit risk capital requirements using External Credit Assessment Institutions (ECAI) ratings and supervisory risk-weights. In relation to operational risk, a method of calculating the operational risk capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.